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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 23% to RMB7,427.0 million (2022: approximately RMB9,614.3 million).
- Profit attributable to owners of the Company was RMB106.1 million (2022: Profit attributable to owners of the Company approximately RMB420.1 million).
- Basic earnings per share amounted to RMB0.068 (2022: Basic earnings per share RMB0.268).
- The Board proposed a final dividend of RMB4.1 cents per share.

THE FINANCIAL STATEMENTS

The board (the "**Board**") of directors (the "**Directors**") of Asia Cement (China) Holdings Corporation (the "**Company**"), together with its subsidiaries (collectively, the "**Group**"), hereby announces the audited consolidated results of the Group for the year ended 31 December 2023, together with the comparative figures for 2022 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2023

	NOTES	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*3*	**7,427,010**	9,614,330
Cost of sales		**(6,356,723)**	(8,325,401)
Gross profit		**1,070,287**	1,288,929
Other income	*4*	**237,211**	212,108
Reversal of expected credit losses on trade receivables, net		**66,843**	30,425
Other expenses, other gains and losses	*5*	**(14,916)**	(31,460)
Distribution and selling expenses		**(447,257)**	(437,244)
Administrative expenses		**(337,779)**	(318,983)
Share of losses of associates		**(22,136)**	(4,516)
Share of (losses) profits of joint ventures		**(2,566)**	6,812
Finance costs		**(78,056)**	(57,070)
Profit before tax		**471,631**	689,001
Income tax expense	*6*	**(360,396)**	(265,009)
Profit and total comprehensive income for the year	*7*	**111,235**	423,992
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**106,088**	420,072
Non-controlling interests		**5,147**	3,920
		111,235	423,992
		RMB	*RMB*
Earnings per share			
Basic	*9*	**0.068**	0.268

Consolidated Statement of Financial Position
As at 31 December 2023

	NOTES	**2023** **RMB'000**	2022 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**6,112,737**	6,583,410
Quarry		**825,620**	878,641
Right-of-use assets		**722,655**	748,504
Investment properties		**133,352**	134,142
Goodwill		**554,241**	554,241
Intangible assets		**3,158**	3,760
Interests in joint ventures		**94,068**	84,640
Interests in associates		**777,688**	799,824
Deferred tax assets		**139,633**	161,804
		9,363,152	9,948,966
CURRENT ASSETS			
Inventories	*10*	**606,947**	905,512
Trade and other receivables	*11*	**893,986**	1,252,660
Financial assets at fair value through profit or loss ("**FVTPL**")		**138,726**	117,156
Tax recoverable		**6,005**	8,303
Amount due from an associate		**6,057**	7,778
Amount due from a joint venture		**5,461**	5,461
Restricted bank deposits		**6,016**	–
Bank balances and cash		**9,256,549**	8,900,448
		10,919,747	11,197,318
CURRENT LIABILITIES			
Trade and other payables	*12*	**825,163**	948,248
Amounts due to joint ventures		**22,515**	19,567
Amount due to an associate		**–**	256
Tax payables		**96,357**	58,900
Borrowings – due within one year		**1,148,000**	1,014,000
Lease liabilities		**6,464**	6,112
Contract liabilities		**119,067**	148,141
		2,217,566	2,195,224
NET CURRENT ASSETS		**8,702,181**	9,002,094
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,065,333**	18,951,060

	NOTES	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Borrowings – due after one year		**625,000**	1,361,646
Lease liabilities		**89,940**	88,767
Provision for environmental restoration		**53,972**	58,168
Deferred tax liabilities		**89,620**	51,615
		858,532	1,560,196
NET ASSETS		**17,206,801**	17,390,864
CAPITAL AND RESERVES			
Share capital	*13*	**140,390**	140,390
Reserves		**16,702,461**	16,847,069
Equity attributable to owners of the Company		**16,842,851**	16,987,459
Non-controlling interests		**363,950**	403,405
TOTAL EQUITY		**17,206,801**	17,390,864

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. GENERAL

Asia Cement (China) Holdings Corporation (the "**Company**") is a public limited company incorporated in the Cayman Islands on 7 April 2004 under the Companies Law (2003 Revision), Chapter 22 of the Cayman Islands. The shares of the Company have been listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 20 May 2008. The immediate and ultimate holding company is Asia Cement Corporation, a company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is at Portion of Unit B, 11th Floor, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company collectively the "**Group**") are manufacture and sale of cement, concrete and related products.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all these amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2023	2022
	RMB'000	*RMB'000*
At a point in time recognition:		
– Sales of cement products and related products	**7,241,675**	9,361,624
– Sales of concrete	**185,335**	252,706
Total	**7,427,010**	9,614,330

(ii) Performance obligations for contracts with customers

Sales of cement products and related products and concrete (revenue recognised at one point in time)

The Group sells cement products and related products and concrete directly to customers (including distributors).

Revenue is recognised when control of the goods has transferred, i.e. when the goods have been transferred out from the Group's warehouse (delivery). After leaving the warehouse, the customers and distributors have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when selling the goods, and bear the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 180 days for cement customers and 180 to 365 days for concrete customers upon delivery.

A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration from the customer.

(iii) Transaction price allocated to the remaining performance obligation for contract with customers

All performance obligations for sale of cement products and related products and concrete are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Interest income on bank deposits	**189,193**	159,102
Government grants income	**24,123**	27,332
Sales of scrap and raw materials	**14,808**	14,727
Rental income	**5,638**	2,920
Solid waste treatment services	**2,396**	6,344
Transportation fee income	**1,053**	1,683
	237,211	212,108

5. OTHER EXPENSES, OTHER GAINS AND LOSSES

	2023	2022
	RMB'000	*RMB'000*
Losses on disposal/write-off of property, plant and equipment	**(20,992)**	(2,806)
Penalties and related surcharge from tax and government authority	**(8,852)**	(4,207)
Exchange losses, net	**(5,761)**	(4,252)
(Losses) gains on fair value changes on investment properties	**(790)**	200
Loss on early termination of right-of-use assets and lease liabilities	**(91)**	–
Gain (loss) on fair value changes on financial assets at FVTPL	**21,570**	(23,009)
Reversal of consideration for acquisition of a subsidiary	**–**	2,614
	(14,916)	(31,460)

6. INCOME TAX EXPENSE

	2023	2022
	RMB'000	*RMB'000*
Current tax:		
– PRC enterprise income tax ("**EIT**")	**163,245**	246,238
Over-provision in prior years in respect of PRC EIT	**(3,242)**	(23,112)
Deferred tax	**200,393**	41,883
	360,396	265,009

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

Neither provision for Hong Kong Profits Tax nor Singapore income tax has been made in the consolidated statement of profit or loss and other comprehensive income as the Group had no assessable profit arising in these jurisdictions for both years.

During the year ended 31 December 2023 and 2022, pursuant to the Enterprise Income Tax Law and Implementation Regulations of the Law of the PRC, the applicable tax rate of PRC subsidiaries is 25%, except for certain subsidiaries entitled to different preferential tax rates.

Pursuant to "The announcement on Continuation of Enterprise Income Tax Policy for Western Development" (the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission [2020] No. 23), Sichuan Yadong Cement Co., Ltd. ("**Sichuan Yadong**"), Sichuan Lanfeng Cement Co., Ltd. ("**Sichuan Lanfeng**") and Sichuan Ya Li Transportation Co., Ltd. were granted a tax concession to pay corporate income tax at a preferential rate of 15% from 1 January 2021 to 31 December 2030.

7. PROFIT FOR THE YEAR

	2023	2022
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	**734,033**	742,406
– Quarry	**64,441**	63,032
– Right-of-use assets	**34,850**	35,301
– Intangible assets	**1,456**	1,571
Total depreciation and amortisation	**834,780**	842,310
Less: Capitalised in inventories	**(739,974)**	(753,044)
	94,806	89,266
Staff costs, including directors' remuneration		
Salaries and other benefits	**530,849**	539,128
Retirement benefits scheme contributions	**38,729**	42,882
Total staff costs	**569,578**	582,010
Less: Capitalised in inventories	**(441,006)**	(403,392)
	128,572	178,618
Impairment losses recognised on property, plant and equipment included in cost of sales	**–**	87,817
Auditors' remuneration	**6,000**	6,000
Cost of inventories recognised as expenses (including the provision for environmental restoration RMB21,442,000 (2022: RMB22,178,000))	**6,356,723**	8,237,584
Gross rental income from investment properties	**1,311**	1,095
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**(72)**	(78)
	1,239	1,017

8. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distributions during the year:		
2022 Final, paid in 2023 – RMB16.0 cents (2021 Final, paid in 2022 – RMB45.0 cents) per share	**250,696**	705,083

A final dividend for the year ended 31 December 2023 of RMB4.1 cents per share (2022 Final, Paid in 2023 – RMB16.0 cents per share) amounting to approximately RMB64,241,000 (2022 Final, Paid in 2023 – RMB250,696,000) has been proposed by the directors of the Company after the end of the reporting period. The proposed final dividend for the current year is subject to the approval of the Company's shareholders at the forthcoming general meeting.

9. EARNINGS PER SHARE

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

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**106,088**	420,072
	'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

No diluted earnings per share is presented as the Company did not have any dilutive shares in issue during both years.

10. INVENTORIES

	2023	2022
	RMB'000	*RMB'000*
Spare parts and ancillary materials	**117,720**	146,929
Raw materials	**225,512**	393,445
Work in progress	**114,221**	171,732
Finished goods	**149,494**	193,406
	606,947	905,512

11. TRADE AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**546,159**	661,973
Less: Allowance for credit losses	**(220,381)**	(287,693)
	325,778	374,280
Other receivables	**32,258**	35,011
Less: Allowance for credit losses	**(9,552)**	(9,552)
	22,706	25,459
Interest receivable from banks	**159,193**	101,439
Advances to suppliers	**125,362**	184,860
Notes receivables	**110,989**	210,734
Bills receivables at FVTOCI	**72,366**	257,848
Refundable deposits	**36,872**	39,024
Value-added tax recoverable	**33,473**	50,881
Prepayments for utilities	**7,247**	8,135
	893,986	1,252,660

As at 1 January 2022, trade receivables from contracts with customers amounted to RMB580,609,000, net of allowance for credit losses of RMB314,946,000.

The Group has a policy of allowing a credit period of 30 to 180 days for cement customers and 180 to 365 days for concrete customers whereas longer credit terms are allowed to certain selected customers with good credit histories or settled by bills.

The following is an aged analysis of trade receivables, net of allowance for credit losses presented based on the invoice dates:

	Cements		**Concrete**		**Total**	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
0–90 days	**143,223**	213,138	**35,273**	33,230	**178,496**	246,368
91–180 days	**62,628**	62,994	**23,792**	25,504	**86,420**	88,498
181–365 days	**42,156**	804	**17,619**	25,577	**59,775**	26,381
Over 365 days	**–**	9,580	**1,087**	3,453	**1,087**	13,033
	248,007	286,516	**77,771**	87,764	**325,778**	374,280

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB42,156,000 (2022: RMB10,384,000) and RMB1,087,000 (2022: RMB3,453,000) for cement and concrete segment, respectively, which are past due as at the reporting date. Out of the past due balances, approximately RMB14,080,000 (2022: RMB10,384,000) for cement segment has been past due 90 days or more and is not considered as in default as the Group holds collateral over part of these balances in which the estimated value of collateral exceeds the overdue trade balances.

Bills receivables at FVTOCI

As part of the Group's cash flow management, the Group will discount bills receivables to financial institutions or endorse bills receivables to suppliers before the due for payment, and derecognise the discounted and endorsed bills receivables on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Thus, bills receivables at FVTOCI are managed within a business model whose objective is both to collect the contractual cash flows and to sell. Therefore, these bills receivables were subsequently classified as debt instruments at FVTOCI upon adoption of IFRS 9.

The following is an aged analysis of bills receivables at FVTOCI, net of fair value remeasurement under the requirement of IFRS 9, at the end of the reporting period:

	2023	2022
	RMB'000	*RMB'000*
0 to 180 days	**72,366**	257,848

The bills receivables at FVTOCI are all issued by reputable banks of good credit quality. The management of the Group considered the credit risk of these bank issued bills is insignificant and no impairment was provided on them at the year end.

Transfers of financial assets

At 31 December 2023 and 31 December 2022, the Group has transferred bank issued bills receivables to its suppliers to settle its payables and discounted some bills receivables to banks.

The Group considers the issuing banks of the bills are of good credit quality and the risk of non-settlement by the issuing banks on maturity is insignificant. In the opinion of the directors of the Company, the Group has transferred and does not retain substantially all the risks and rewards of ownership of these bank issued bills. Accordingly, the Group has derecognised these bank issued bills receivables and the payables to suppliers in their entirety.

As at 31 December 2023, the discounted bank issued bills and endorsed bank issued bills were RMB9,027,000 and RMB329,152,000 (2022: nil and RMB609,378,000), respectively.

All the bank issued bills receivables discounted to banks or endorsed to suppliers of the Group have a maturity date of less than one year.

Notes receivables

The following is an aged analysis of notes receivables presented based on the dates of notes issued by the customers:

	Cements		Concrete		Total	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
0–90 days	**56,169**	98,475	**–**	–	**56,169**	98,475
91–180 days	**54,820**	112,259	**–**	–	**54,820**	112,259
	110,989	210,734	**–**	–	**110,989**	210,734

As at 31 December 2023, notes receivables are received amounting to RMB110,989,000 (2022: RMB210,734,000) with a maturity period of less than one year.

12. TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**224,532**	260,952
Accruals	**68,865**	110,686
Mine reserve fund payable	**299,724**	299,724
Staff wages and welfare payable	**73,098**	96,969
Value added tax payable	**3,801**	7,603
Construction cost payable	**30,790**	46,519
Other taxes payable	**14,455**	33,498
Interest payable	**4,412**	3,604
Consideration payable for acquisition of a subsidiary in 2014	**6,681**	6,681
Refundable deposits from suppliers	**66,788**	51,690
Other payables	**32,017**	30,322
	825,163	948,248

The following is an aged analysis of trade payables presented based on the invoice dates:

	2023	2022
	RMB'000	*RMB'000*
0–90 days	**159,722**	212,450
91–180 days	**36,497**	18,611
181–365 days	**14,739**	21,494
Over 365 days	**13,574**	8,397
	224,532	260,952

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period for trade purchases is 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

13. SHARE CAPITAL

	Number of shares	**Amount**	**Shown in the consolidated financial statements as**
		HK$'000	*RMB'000*
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2022, 31 December 2022 and 2023	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2022, 31 December 2022 and 2023	1,566,851,000	156,685	140,390

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

(1) Macro perspectives of China and the industry

In 2023, despite numerous challenges such as sluggish recovery in global economy, complex evolution in international situation, frequent domestic natural disasters and arduous task for reform, development and stability, the national economy had been showing signs of recovery and improvement, actively promoting transformation and upgrading, and steadily advancing towards high-quality development. Its major expected goals had been successfully achieved. However, the external environment remained complex and severe with insufficient domestic effective demand, weak social expectations and various risks and potential hazards. In order to drive further recovery in the national economy, there is still a need to overcome certain difficulties and challenges. In 2023, China's gross domestic product reached RMB126 trillion, representing a year-on-year increase of 5.2%, higher than the estimated global growth rate of approximately 3% (data source: National Bureau of Statistics). China ranked among the world's top major economies and was the largest engine of world economic growth.

Since the beginning of the year, the domestic macro-economy has continued to recover, while the real estate industry remained in the phase of significant adjustment. In 2023, China's fixed asset investment increased by 3.0% year-on-year; infrastructure investment increased by 5.9% year-on-year; manufacturing investment increased by 6.5% year-on-year; property development investment decreased by 9.6% year-on-year; added value of industries above designated size increased by 4.6% year-on-year; total profit of industrial enterprises above designated size decreased by 2.3% year-on-year to RMB7.7 trillion (data source: National Bureau of Statistics).

2023 was a crucial year in the 14th Five-Year Plan. Infrastructure investment had maintained steady growth throughout the year. However, the real estate industry was still undergoing a phase of deep adjustment, with a significant negative impact on cement demand. The total cement demand throughout the year remained in a downward trend and characterized by weakening seasonality during the off-peak and peak periods. Under these circumstances, no cement companies across the country would want to lose their market shares and therefore they competed fiercely on prices, causing cement prices to fluctuate at low levels and industry profits to shrink. In 2023, the national cement output amounted to 2.02 billion tonnes, representing a year-on-year decrease of 0.7%; cement industry profit was expected to be approximately RMB32 billion, representing a decrease of approximately 50% year-on-year (data source: National Bureau of Statistics, Digital Cement).

In 2023, there were 17 cement and clinker production lines in China put into operation, which all were projects aiming at reducing capacity and replacing older facilities, with a total designed capacity of 24.92 million tonnes (data source: China Cement Association Information Research Centre).

(2) Overview of the Group's business in 2023

In 2023, market demand remained weak. The domestic cement market price trend in general exhibited an initial rise followed by subsequent declines with fluctuations and adjustments. The development trend for the cement industry in the central and downstream regions of the Yangtze River and Sichuan region, being the two major long-term markets in which the Group has key operating activities, is as follows:

A. The market conditions in the central and downstream regions of the Yangtze River fluctuated throughout the year. Demand was sluggish, and seasonality during the off-peak and peak periods weakened. In the first quarter, industry inventory level remained high since the end of last year. Demand recovery accelerated after the Spring Festival, and supply reduced owing to staggered peak production and kiln shutdown for overhaul. As a result, cement prices began to pick up. In the second quarter, under the combined influences of traditional factors such as festive holidays, high school and college examinations, frequent rainy weather, and funding issues in relation to housing and infrastructure projects, cement demand had rapidly declined. In addition, the inauguration of new production capacity along the river led to an imbalance between supply and demand; competition within the industry intensified in the third quarter and cement prices remained in a downward trend. By the end of the third quarter, raw material prices rose. In the fourth quarter, led by major enterprises, cement prices rose and underwent periodic fluctuations. There was, however, insufficient support from cement demand, and prices began to fall in December.

B. In Sichuan, benefiting from the strict implementation of the staggered peak production policy, cement prices were able to maintain at a relatively high level in 2023. However, affected by the macroeconomic environment, cement market demand remained weak. In addition to the traditional off-season factors, the Sichuan region is also affected by factors such as the influx of low-priced cement from eastern Sichuan and Chongqing and the convening of the Universiade. The cement market had been depressed for a long time, and prices declined throughout the second and third quarters. Although cement demand recovered in the fourth quarter, air pollution warnings were frequently issued and construction work at construction sites was slowed down. Cement prices fell again under inventory pressure after a price hike.

In 2023, the Group's total sales volume of cement products (cement and clinker) amounted to 26.09 million tonnes, down by 6.7% when compared to that of 2022.

Table 1: Total sales volume (Unit: ’000 tonnes)

	2023	2022	Change (%)
Cement	**24,054**	24,037	0.1
Clinker	**2,039**	3,940	(48.2)
Blast-furnace slag powder	**135**	262	(48.5)
	26,228	28,239	(7.1)

Table 2: Sales volume of cement by region (Unit: ’000 tonnes)

	2023	2022	Change (%)
Southeastern region	**13,604**	12,245	11.1
Central region	**3,820**	4,510	(15.3)
Southwestern region	**6,630**	7,282	(9.0)
	24,054	24,037	0.1

Table 3: Sales volume of high grade and low grade cement (Unit: ’000 tonnes)

	2023		2022	
	Sales volume	**Percentage (%)**	Sales volume	Percentage (%)
High grade cement	**22,567**	**94**	22,851	95
Low grade cement	**1,487**	**6**	1,186	5
	24,054	**100**	24,037	100

Table 4: Sales volume of bagged and bulk cement (Unit: ’000 tonnes)

	2023		2022	
	Sales volume	**Percentage (%)**	Sales volume	Percentage (%)
Bulk cement	**21,432**	**89**	21,779	91
Bagged cement	**2,622**	**11**	2,258	9
	24,054	**100**	24,037	100

Operating Results

Revenue

The Group's principal business activities are manufacture and sale of cement, concrete and related products. As shown in the table below, for 2023, the Group's revenue amounted to RMB7,427.0 million, representing a decrease of RMB2,187.3 million or 23% from RMB9,614.3 million in 2022. The decrease in revenue was mainly attributable to the decrease in the average selling price of the Group's products during 2023.

	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Southeastern region	**4,199,856**	**57**	5,182,554	54
Central region	**970,058**	**13**	1,515,268	16
Southwestern region	**2,257,096**	**30**	2,916,508	30
	7,427,010	**100**	9,614,330	100

In respect of revenue contribution for 2023, sales of cement accounted for 86% (2022: 81%) and sales of concrete accounted for 2% (2022: 3%). The table below is a sales analysis by product for the reporting period:

	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Cement	**6,362,330**	**86**	7,790,743	81
Clinker	**486,129**	**7**	1,180,834	12
RMC	**185,335**	**2**	252,706	3
Blast-furnace slag powder	**27,271**	**0**	54,633	1
Others	**365,945**	**5**	335,414	3
	7,427,010	**100**	9,614,330	100

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 costs), employee compensation and benefits, depreciation and amortisation and other overhead costs. In 2023, the Group's cost of sales decreased by approximately 24% to RMB6,356.7 million from RMB8,325.4 million in 2022 due to the decrease in coal cost.

The gross profit for 2023 was RMB1,070.3 million (2022: RMB1,288.9 million), with a gross profit margin of 14% (2022: 13%). The decrease in gross profit was mainly attributable to the selling price of the Group's products declined and the decrease in coal cost of the Group's products compared with that of the previous year.

Other Income

Other income mainly comprises government grants, transportation fee income, interest income and sales of scrap materials. For 2023, other income amounted to RMB237.2 million, representing an increase of RMB25.1 million from RMB212.1 million in 2022. The increase in other income was attributable to the increase in interest income.

Other Expenses, Other Gains and Losses

Other expenses, other gains and losses mainly comprise net foreign exchange loss, government penalties and related surcharge, impairment loss on investment in an associate, gains in fair value of investment properties and loss on disposal/write-off of property, plant and equipment. For 2023, other expenses, other gains and losses amounted to RMB14.9 million, representing a decrease of RMB16.6 million from RMB31.5 million in 2022. The decrease was principally attributable to gain on fair value change on financial assets.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

The distribution and selling expenses increased from RMB437.2 million in 2022 to RMB447.3 million in 2023. Mainly attributable to an increase in handling charges during 2023.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses, increased by approximately 6%, from RMB319.0 million in 2022 to RMB337.8 million in 2023.

The 37% increase in finance costs was mainly due to the increase in bank borrowing interest rate compared to 2022.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2023 decreased by RMB217.4 million, constituting a profit of RMB471.6 million (2022: profit of RMB689.0 million).

Income Tax Expense

In 2023, income tax expense increased by RMB95.4 million or approximately 36% to RMB360.4 million, from RMB265.0 million in 2022.

Non-controlling Interests

In 2023, non-controlling interests amounted to RMB5.1 million, representing an increase of RMB1.2 million or approximately 31% compared with RMB3.9 million in 2022, primarily due to an increase in profit contribution from Jiangxi Yadong.

Profit for the Year

For 2023, the net profit of the Group amounted to RMB111.2 million, representing a decrease of RMB312.8 million from the profit of RMB424.0 million in 2022.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2023. Total assets decreased by approximately 4% to RMB20,282.9 million (31 December 2022: approximately RMB21,146.3 million), while total equity decreased by approximately 1% to RMB17,206.8 million (31 December 2022: approximately RMB17,390.9 million).

Restricted Bank Deposits, Bank Balances and Cash

As at 31 December 2023, bank balances that are placed in restricted bank accounts in accordance with the applicable government regulations amounting to RMB6,016,000 (2022: Nil). As at 31 December 2023, the Group's bank balances and cash amounted to approximately RMB9,256.5 million (31 December 2022: RMB8,900.4 million), of which approximately 99% was denominated in RMB, with the remainder denominated in US dollars, Hong Kong dollars and Singapore dollars.

Cash Flow

The Group derived its cash inflow from operations primarily through the receipt of payments for the sale of its cement and concrete products. The Group's cash outflow from operations was used primarily for raw material purchases, payment for fuel and power, distribution costs and staff salaries. Cash generated from operating activities decreased from RMB1,614.7 million in 2022 to RMB1,531.8 million in 2023.

The Group's cash inflow from investing activities primarily consisted of interest income, withdrawal of USD Notes and proceeds from disposal of property, plant and equipment. The Group's cash outflow from investing activities primarily consisted of purchase of financial assets, purchases of property, plant and equipment. In 2023, cash used in investing activities of the Group amounted to RMB2,814.7 million (2022: cash from RMB257.3 million).

In 2023, the cash used in financing activities of the Group amounted to RMB973.7 million (2022: cash from RMB138.9 million). This was primarily due to repayments of bank borrowings in 2023.

Capital Expenditure

Capital expenditure for the year ended 31 December 2023 amounted to approximately RMB301.0 million (31 December 2022: RMB379.6 million), and capital commitments as at 31 December 2023 amounted to approximately RMB77.9 million (31 December 2022: RMB57.7 million). Both capital expenditure and capital commitments were mainly related to the purchases of plant and equipment for new production lines. The Group anticipates that such commitments will be funded by future operating revenue, bank borrowings and other sources of finance as appropriate.

Borrowings

The Group's borrowings as at 31 December 2023 and 2022 are summarized below:

	As at 31 December			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Short-term borrowings	**1,148,000**	**65**	1,014,000	43
Long-term borrowings	**625,000**	**35**	1,361,646	57
Currency denomination				
– RMB	**1,773,000**	**100**	2,306,000	97
– US dollars	**–**	**–**	69,646	3
Borrowings				
– unsecured and unguaranteed	**1,773,000**	**100**	2,375,646	100
Interest rate				
– fixed-rate RMB bank borrowings	**1,493,000**	**3.31% to 4.45%**	1,791,000	2.15% to 3.51%
– fixed-rate USD bank borrowings	**–**	**N/A**	69,646	5.09%
– variable-rate RMB bank borrowings	**280,000**	**3.55% to 3.78%**	515,000	2.48% to 3.29%

As at 31 December 2023, the Group had unutilized credit facilities in the amount of RMB9,171.0 million.

As at 31 December 2023, the Group's gearing ratio was approximately 15% (31 December 2022: 18%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2023 and 2022, respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as at 31 December 2023.

Contingent Liabilities

As at 31 December 2023 and up to the date of this announcement, the Board is not aware of any material contingent liabilities (31 December 2022: Nil).

Human Resources

As at 31 December 2023, the Group had 2,966 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing provident fund scheme according to the applicable PRC laws and regulations for its employees in the PRC. The Group remunerated its employees based on their work performance and experience. Remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Share Option Scheme, under which eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company according to their past and potential contribution to the growth of the Group, on 27 April 2008. The Share Option Scheme was expired on 26 April 2018.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

Save as disclosed in this announcement, the Group had no material acquisitions or disposals for the year ended 31 December 2023 (31 December 2022: Nil).

Foreign Exchange Risk Management

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

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

The Group's management monitors foreign exchange exposure at any time and will consider hedging significant foreign currency exposure should the need arise.

II. BUSINESS OUTLOOK

(1) Industry challenges

In 2024, the cement industry continues to face various difficulties and challenges, which are mainly found in the following:

First, the national real estate market is still in a phase of deep adjustment. It is expected that the real estate market is likely to stabilise after reaching its bottom in 2024. Since the end of 2023, a series of supportive policies to revive and rejuvenate the real estate market have been successively introduced. The financing environment of the property sector has slightly improved, with property sales and investments likely to reach their lowest levels and stabilise in the first half of 2024 and moderately recover in the second half of the year. However, the impact of policy launch and implementation on cement demand follows a certain cycle in order to be felt. It will therefore take time for the cement market demand to unleash.

Second, in 2023, the problem of excessive cement capacity exacerbated, leading to severe imbalance between supply and demand. The market disequilibrium could not be rectified despite cement enterprises across the country suppressed cement production through common measures such as implementation of staggered peak production program. Enterprises competed ferociously, leading to markets in various regions experiencing multiple rounds of price downturns and significant decline in industry's profitability. It is expected that there will still be new capacity additions in 2024. Although efforts to implement staggered peak production program in various regions will step up, the weak demand pattern will remain. High inventory level in the industry is very likely to persist, and there is a relatively high possibility that the cement price will exhibit a bottoming-out and volatile trend.

Third, coal prices continued to fluctuate at high levels, putting pressure on the production costs of enterprises. Since 2023, coal prices have gradually declined to RMB900-1,200 per tonne, but they are still at historically high levels. In early February, the State Council approved "Coal Mine Safety Production Regulations", which is scheduled to be implemented in May. In future, the supervision of coal mines' safety in China may further enhance, leading to possible tightening of coal supply. This could pose a risk in coal price rise.

(2) Industry trend

In 2024, there are still various difficulties and challenges on the supply side and demand side. Nevertheless, there are also positive expectations. The Group remains cautiously optimistic:

On the demand side, in 2024, the key focus of the real estate sector is still on "ensuring delivery of housing projects" and "controlling risks", while accelerating the construction of affordable housing, the construction of public facilities with dual normal and emergency use, and urban village redevelopment. Efforts to push forward these three major projects will continue to be stepped up. As a result, decline in property investment is likely to be mitigated. The downward impact of the real estate sector on cement demand is significantly weaker when compared with those in 2022 and 2023. On the other hand, with the gradual implementation of the new infrastructure projects financed by the RMB1 trillion additional government bonds issued at the beginning of the year, infrastructure investment will continue to increase. Infrastructure investment remains an important means of supporting the economy in 2024.

On the supply side, efforts to implement staggered peak production program stepped up in 2023. However, owing to weak cement demand, staggered peak production programs in various regions produced relatively little benefits. As such, in 2024, staggered peak production policies in various regions are inclined to further extend the duration of kiln suspension. Cement prices have remained at low levels over a long period of time. With enterprises seeking to reduce losses, the implementation of staggered peak production policies is expected to improve. Although there is still an overall excess supply, the imbalance between supply and demand has relatively eased. From a long-term perspective, the dual carbon goals and ultra-low emission policy of the cement industry will impose stricter requirements, which will pose greater challenges to cement enterprises in terms of their investment capabilities. As to smaller individual cement enterprises, they will face even greater pressure and difficulties. In the long run, the stricter requirements will be conducive to the elimination of obsolete cement and clinker capacities and reduction of total production capacities, which will further increase industry concentration.

(3) The Group's business outlook

The Group expects that the cement demand will slightly decrease throughout the year of 2024, and the cement market prices will remain low and volatile.

In view of the various factors including economic situation, market demand, industry supply, the Group plans to sell 26.59 million tonnes of cement products (cement and clinker) in 2024, which is basically in line with the sales volume of 2023.

In 2024, the Group continues to adhere to the operational strategies of high efficiency, high quality, excellent service and high environmental protection. The Group will enhance customer service efforts and customers experience. Furthermore, it will fully leverage its integrated storage and transportation competitive edge to continue to pursue cost reduction and efficiency improvement. It will strive to lower costs at each stage of production while maintaining product quality. At the same time, the Group will actively participate in the intensifying market competition through a more efficient and professional business team. All these will help maintain the Group's share in core markets, and create greater value for the country, society, shareholders and employees.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the end of the reporting period.

OTHER INFORMATION

Final Dividend

In acknowledging the continuous support from the Group's shareholders, the Board recommends the payment of a final dividend of RMB4.1 cents per ordinary share in respect of the year ended 31 December 2023, subject to approval by shareholders at the forthcoming annual general meeting of the Company. The dividend will be payable on Friday, 19 July 2024 to shareholders whose names appear on the Register of Members of the Company after close of business on Friday, 12 July 2024.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 4 June 2024 to Friday, 7 June 2024, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 3 June 2024.

Subject to the approval of shareholders at the annual general meeting, the register of members of the Company will be closed for the purpose of determining the entitlement of shareholders to receive the final dividend from Tuesday, 9 July 2024 to Friday, 12 July 2024, both days inclusive, during which period no transfer of shares will be registered. The proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company on Friday, 12 July 2024 being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 8 July 2024. The dividend will be payable on Friday, 19 July 2024 to shareholders.

Corporate Governance

The Company has complied with all of the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix C1 to the Listing Rules during the year ended 31 December 2023.

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 C1 to the Listing Rules. The primary duties of the Audit Committee include the review of the financial reporting, risk management 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 and the majority of whom are independent non-executive Directors.

The Audit Committee has reviewed together with the management and the external auditor of the Company the accounting principles and practices adopted by the Group and has also reviewed auditing, risk management and internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2023.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. The Company, having made specific enquiry with all Directors, confirms that its Directors had complied with the required standards set out in the Model Code throughout the year ended 31 December 2023.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.com.hk) and the Company (www.achc.com.cn). The annual report for the financial year ended 31 December 2023 of the Company will be dispatched to the Company's shareholders and published on the aforesaid websites in due course.

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 reporting period.

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

Hong Kong, 4 March 2024

As at the date of this announcement, the executive Directors are Mr. HSU Shu-ping, Mr. CHEN Ruey-long, Mr. LEE Kun-yen, 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.