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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 (1) UNAUDITED RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2024; (2) RE-DESIGNATION OF EXECUTIVE DIRECTORS; AND (3) CLARIFICATION IN RELATION TO CIRCULAR, NOTICE OF ANNUAL GENERAL MEETING AND FORM OF PROXY FOR USE AT ANNUAL GENERAL MEETING TO BE HELD ON 7 JUNE 2024

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 three months ended 31 March 2024. 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 loss attributable to owners for the three months ended 31 March 2024 was approximately RMB129.7 million.

The Board announces that, with effect from 29 April 2024, Mr. CHEN Ruey-long (“**Mr. CHEN**”), Mr. LEE Kun-yen (“**Mr. LEE**”) and Ms. WU Ling-ling (“**Ms. WU**”), are re-designated from their current position of executive Directors to non-executive Directors (the “**Re-designation**”).

Due to the Re-designation, the Company would like to clarify that the ordinary resolution 3(d) in the circular (the “**Circular**”), the notice of annual general meeting (the “**Original AGM Notice**”) and the form of proxy (the “**Original Proxy Form**”) for use at annual general meeting to be held on 7 June 2024 (the “**AGM**”) dated 29 April 2024 shall be read as “To re-elect Ms. WU Ling-ling as a non-executive Director.”.

The Directors of the Company are making this announcement of the Group’s unaudited consolidated results for the three months ended 31 March 2024 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 three months ended	
	31 March	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	1,223,847	1,896,822
Cost of sales	(1,224,078)	(1,723,231)
Gross profit	(231)	173,591
Other income	62,334	46,447
Other expenses, other gains and losses	13,777	54,560
Distribution and selling expenses	(76,944)	(93,802)
Administrative expenses	(78,005)	(83,020)
Share of losses of joint ventures	(1,600)	(657)
Share of losses of associates	(1,406)	(1,549)
Finance costs	(15,970)	(17,317)
(Loss) profit before tax	(98,045)	78,253
Income tax expenses	(33,770)	(36,825)
(Loss) profit and total comprehensive (expense) income for the period	(131,815)	41,428
(Loss) profit and total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(129,747)	40,663
Non-controlling interests	(2,068)	765
	(131,815)	41,428
	RMB	RMB
(Loss) earnings per share:		
Basic	(0.083)	0.026

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2023 <i>RMB'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS		
Property, plant and equipment	5,974,220	6,112,737
Quarry	809,877	825,620
Right of use assets	721,491	722,655
Investment properties	133,352	133,352
Goodwill	554,241	554,241
Intangible assets	3,119	3,158
Interest in joint ventures	92,468	94,068
Interest in an associate	776,282	777,688
Deferred tax assets	140,479	139,633
	9,205,529	9,363,152
CURRENT ASSETS		
Inventories	606,353	606,947
Trade and other receivables	912,393	893,986
Financial assets at fair value through profit or loss	158,342	138,726
Tax recoverable	–	6,005
Amount due from a joint venture	5,461	5,461
Amount due from an associate	6,057	6,057
Restricted bank deposits	–	6,016
Bank balances and cash	9,041,261	9,256,549
	10,729,867	10,919,747
CURRENT LIABILITIES		
Trade and other payables	818,274	825,163
Amount due to joint ventures	13,654	22,515
Tax payables	11,068	96,357
Borrowings – due within one year	1,258,000	1,148,000
Lease liability	7,309	6,464
Contracts liabilities	116,288	119,067
	2,224,593	2,217,566
NET CURRENT ASSETS	8,505,274	8,702,181
TOTAL ASSETS LESS CURRENT LIABILITIES	17,710,803	18,065,333

	As at 31 March 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2023 <i>RMB'000</i> <i>(Audited)</i>
NON-CURRENT LIABILITIES		
Borrowings – due after one year	350,000	625,000
Lease liability	92,447	89,940
Deferred tax liabilities	120,357	89,620
Provision for environmental restoration	73,013	53,972
	<u>635,817</u>	<u>858,532</u>
NET ASSETS	<u>17,074,986</u>	<u>17,206,801</u>
CAPITAL AND RESERVES		
Share capital	140,390	140,390
Reserves	16,572,714	16,702,461
	<u>16,713,104</u>	<u>16,842,851</u>
Equity attributable to owners of the Company	16,713,104	16,842,851
Non-controlling interests	361,882	363,950
	<u>17,074,986</u>	<u>17,206,801</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the three months ended 31 March	
	2024 <i>RMB'000</i> <i>(Unaudited)</i>	2023 <i>RMB'000</i> <i>(Unaudited)</i>
Net cash (used in) from operating activities	(33,332)	240,338
Net cash (used in) from investing activities	(4,649)	6,583
Net cash used in financing activities	(177,307)	(188,246)
	<u>(215,288)</u>	<u>58,675</u>
Net (decrease) increase in cash and cash equivalents	(215,288)	58,675
Cash and cash equivalents at beginning of the year	9,256,549	8,900,448
	<u>9,041,261</u>	<u>8,959,123</u>
Cash and cash equivalents at 31 March	<u>9,041,261</u>	<u>8,959,123</u>

The Group's unaudited consolidated results for the three months ended 31 March 2024 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 2023.

The Directors do not recommend payment of a dividend in respect of the first three months of 2024 (2023: Nil).

BUSINESS REVIEW AND PROSPECTS

In the first quarter of 2024, the overall national economy continued the recovery and improvement trend that started last year and was on a stable and positive trajectory. It achieved reasonable quantity growth and effective quality improvement. However, the external situation remained complex and severe, and the nation was at a critical stage of structural adjustment and transformation. Market operators' confidence and economic recovery momentum needed further boosts. In the first quarter of 2024, the national gross domestic product (GDP) reached RMB29,629.9 billion, a year-on-year increase of 5.3%, up by 0.1 percentage point when compared to the growth of previous quarter, showing that the economy was making a good start. During the first quarter, the national fixed asset investment grew by 4.5% year-on-year, infrastructure investment increased by 6.5% year-on-year, manufacturing investment increased by 9.9% year-on-year, and real estate development investment decreased by 9.5% year-on-year (Source: National Bureau of Statistics).

In the first quarter of 2024, due to fewer newly started real estate construction projects and the postponement of major infrastructure projects in some regions, the demand in the cement market was sluggish. The national cumulative cement production was 337 million tonnes, representing a year-on-year decline of 16.3% based on the same measurement criteria (Source: National Bureau of Statistics).

Situation of the Group's two major markets – the central and downstream region of the Yangtze River and Sichuan region – in the first quarter is as follows:

- A. The central and downstream region of the Yangtze River: in January, when the Spring Festival was fast approaching and the temperature was low and there had been frequent occurrences of cold waves, the cement industry continued to experience a weak and downward trend, with demand dropping to its lowest level. After the Spring Festival, despite being in the winter period for staggered peak production, inventories were gradually being depleted. However, the recovery of cement demand was less than satisfactory due to ongoing adjustments in the real estate market and funding constraints for infrastructure projects. In response, enterprises competed ferociously to preserve market shares, leading to further declines in cement prices. Entering March, cement demand maintained a weak recovery. Major companies did not see a significant decrease in inventory, and cement prices had basically dropped to a level close to costs. However, thanks to effective cost control, the Group still maintained some price flexibility to protect its fundamental market share from erosion and ensure that its brand remained

competitive. In late March, driven by price increases in the Lunan and northern Jiangsu areas, industry players in the downstream Yangzhou region began to slightly raise prices in the hope of stopping further declines. The scope of price increases gradually spread to southern Jiangsu and eastern Hubei in April, but industry players in the Nanchang and Jiujiang regions continued to adopt a wait-and-see approach regarding price increase in the surrounding markets. Given that the market demand was noticeably lower than last year and the rainy season in the second quarter was approaching, together with many holidays occurring in the second quarter, the subsequent cement prices were expected to remain under pressure.

- B. Sichuan region: frequent air pollution warnings were issued in January and there was a supply shortage of sand and gravel, which restricted construction activities and adversely affected cement demand. By the middle to end of January, the issue of air pollution warnings had ended, but the Spring Festival holiday was approaching; market demand was nearing saturation. In order to stimulate shipments, industry players carried out price reductions and promotional activities, causing cement prices to continue to fall. After the Spring Festival, there was a lack of funding available within the market, and fewer new projects commenced construction when compared with the previous years. Most construction sites postponed commencing construction, leading to a cement demand recovery that was below expectations. The price downward trend continued until mid-March. By late March, cement prices had fallen to their lowest level and cement demand recovered to about 60% of its normal levels. Currently, the overall inventory level in the industry remained at a medium to high level, which was attributable to consensus among industry players and effective implementation of staggered peak production, and cement prices in Sichuan were relatively higher than in surrounding areas. They were susceptible to frequent price fluctuations due to influx of cement from outside. It is expected that the subsequent trend in cement price in the Sichuan region will be stable.

In the first quarter of 2024, affected by the downturn in the real estate market, tight project funding, and frequent extreme weather, the demand for cement was lower than that of the same period last year. The Group's cement products (cement + clinker) sales volume decreased by 14% compared to that of last year.

Since 2023, the cement market has continued to be sluggish. Looking into the second quarter of 2024, cement demand is expected to remain under pressure, and the supply-demand relationship for cement will continue to face challenges. However, a marginal improvement in cement demand is anticipated in the second half of the year. Moreover, after experiencing several rounds of "price wars" since 2023, competition within the industry is expected to return to a certain degree of rationality. The Group remains cautiously optimistic about the development of the cement industry:

On the demand side, in 2024, infrastructure demand is expected to steadily increase, driven by government bonds. However, adverse impact of the real estate market downturn on cement demand is likely to persist. As such, a slight year-on-year decline in the cement market demand for the year is expected. The Central Economic Work Conference emphasized the need for finding the right balance in implementing an active fiscal policy, while infrastructure investment remains a key driver for stabilizing growth. This year, the total amount of funds aimed at improving the efficiency of government investment exceeds RMB6 trillion, including an issuance of RMB1 trillion of additional government bonds, RMB1 trillion of ultra-long-term special government bonds, RMB700 billion of central budget funds, and RMB3.9 trillion of local government special bonds. With the gradual implementation of corresponding new infrastructure projects, the scale of infrastructure investment will sustain a net growth, and the issue of severe funding shortages in the market later in the year is expected to be alleviated.

On the supply side, the staggered peak production policy implemented in various regions in 2023 showed limited effectiveness and, following a year-long “price war” in the cement industry, companies generally experienced a decline in profits, with some even facing losses. In the first quarter of 2024, cement market prices had essentially hit rock bottom. With the disclosure of the first quarter reports, major cement companies are facing increasing performance pressures. There is a strong desire among these companies to reduce losses and improve profitability, and the implementation of staggered peak production policies is expected to improve. Although in general there is still an excess in supply, cement prices are likely to undergo volatile adjustments in the short term. However, in the long run, cement prices will gradually return to a reasonable range.

All in all, for 2024, cement demand is expected to continue to slightly decline. The demand from the real estate sector will continue to drop and is expected to stabilize in the second half of the year, while infrastructure demand will unleash at a faster pace as funding gradually becomes available. It is anticipated that cement demand in the second half of the year will improve when compared with that in the first half, with the market likely showing a trend of starting low and rising later. Under this market situation, the Group will remain proactive and continue to adhere to its operational strategies of high efficiency, high quality, excellent service, and high environmental protection. It will enhance customer service efforts. It will also fully leverage its integrated storage and transportation advantages, and actively undertake key engineering projects in neighboring markets and fully participate in market competition to maintain its core market shares. With these measures in place, the performance of the Group in the second half of the year is expected to improve.

RE-DESIGNATION OF EXECUTIVE DIRECTORS

The Board announces that, with effect from 29 April 2024, Mr. CHEN, Mr. LEE and Ms. WU, are re-designated from their current position of executive Directors to non-executive Directors.

Set out below are the biographical profile of Mr. CHEN, Mr. LEE and Ms. WU:

Mr. CHEN Ruey-long (陳瑞隆)

Mr. CHEN Ruey-long (陳瑞隆), aged 77, is an executive Director of the Group. Mr. CHEN held various positions in the Ministry of Economic Affairs of Taiwan, and was based in Switzerland from 1987 to 1996 and in Belgium from 1974 to 1979. Mr. CHEN served as the chairman of the board of the Institute for Information Industry in Taiwan from 2008 to 2009. Mr. CHEN is currently the chairman of the board of SINOCON Industrial Standards Foundation in Taiwan and the vice president of Cross-Strait CEO Summit. He is also a director of HannStar Board Corporation, Asia Cement Corporation, BES Engineering Inc. and Tatung Company; a managing director and independent director of Formosa Chemicals and Fibre Corporation; an independent director of INVENTEC CORPORATION, which are listed on the Taiwan Stock Exchange. He also serves as an independent non-executive director of Natural Beauty Bio-Technology Limited, which is listed on the Hong Kong Stock Exchange. He also served as a director of Bank of Panhsin in Taiwan, Teknowledge Development Corporation and Powerchip Semiconductor Manufacturing Corp, which are listed on the Taiwan Stock Exchange.

Mr. CHEN graduated from the Faculty of Economics at National Chung Hsing University in Taiwan in June 1970. He served as the Minister of the Ministry of Economic Affairs of Taiwan from 2006 to 2008, and he was successively appointed as the secretary-general and the vice president of Cross-Strait CEO Summit from 2013.

Mr. CHEN entered into a service contract with the Company for a term of three years commencing on 9 June 2023. Such service contract, save as supplemented to reflect his re-designation as a non-executive Director, remains effective. Under the service contract, Mr. CHEN's emoluments recorded in 2020 include director's fees, salaries and other benefits of approximately HK\$240,000, which were determined with reference to his experience and qualification.

Mr. CHEN does not have any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. CHEN is not related to any other Directors, senior management, or substantial or controlling Shareholders of the Company.

Mr. CHEN has no information to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

There are no other matters that need to be brought to the attention of the Shareholders.

Mr. LEE, Kun-yen (李坤炎)

Mr. LEE, Kun-yen (李坤炎), aged 84, is currently the Director and general manager of Asia Cement Corporation. Mr. LEE is also the director of U-Ming Marine Transport Corporation and Ya Tung Ready Mixed Concrete Co., Ltd respectively. Mr. LEE also acts as chairman of Taiwan Cement Manufacturers Association and director of Chinese National Federation of Industries.

Mr. LEE joined Asia Cement Corporation since 1954. He started as a general staff and took up the position of general manager since 2000. Mr. LEE has more than 60 years of experience in cement and concrete related industries. He is a professional manager specializing in corporate management and business marketing. Mr. LEE is engaged in industrial upgrading work such as the operation management, technology and resource efficiency improvement of cement, ready-mix concrete, precast and construction projects. Mr. LEE is also experienced in the management of industries such as transportation, electric energy, and stainless steel.

Mr. LEE entered into a service contract with the Company for a term of three years commencing on 10 June 2022. Such service contract, save as supplemented to reflect his re-designation as a non-executive Director, remains effective. Under the service contract, Mr. LEE's emoluments recorded in 2020 include director's fees, salaries and other benefits of approximately HK\$240,000, which were determined with reference to his experience and qualification.

Mr. LEE is deemed to be interested in 200,000 shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. LEE is not related to any other Directors, senior management, or substantial or controlling Shareholders of the Company.

Mr. LEE has no information to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

There are no other matters that need to be brought to the attention of the Shareholders.

Ms. WU Ling-ling (吳玲綾)

Ms. WU Ling-ling (吳玲綾), aged 58, has served as an executive Director since April 2016. Ms. WU is also the executive vice president of Asia Cement Corporation, the controlling shareholder of the Company and a limited liability company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation, and is an affiliate of Far Eastern Group of Taiwan (“FEG”). Ms. WU serves as a director and supervisor for more than 30 companies including being a supervisor and former member of the board of directors of Oriental Union Chemical Corporation, a company listed on the Taiwan Stock Exchange Corporation, and a supervisor of Chia Hui Power Corporation, a subsidiary of Asia Cement Corporation and Ms. WU is the former Executive Director of China Shanshui Cement Group Limited serving from 14 October 2015 to 1 December 2015 and since 23 May 2018. From June 2001 to July 2007, Ms. WU served as the head of the Financial Planning Department and the auditor general of the Internal Audit Department of Far EastOne Telecommunications Co., Ltd., which is also a listed affiliate of the FEG. Ms. Wu has more than 30 years of experience working with international public accounting, manufacturing, telecommunications and internet service provider and she has extensive experience in the cement industry in the People’s Republic of China as well as abroad. Save as disclosed above, Ms. WU did not hold any office of directorships in other listed public companies in the last three years other than the Company.

Ms. WU has extensive experience in mergers and acquisitions, working capital management, process control, and regulatory accounting and reporting. She specializes in supporting corporate strategy including streamlining, controllership, and growth initiatives. She has been successful in leading both corporate turnarounds and rapid growth expansion through two initial public equity offerings and multiple mergers and acquisitions. In addition, with her experience in public and private companies in United States, Hong Kong and Taiwan, Ms. WU also has in-depth experience and knowledge of corporate governance and best practices.

Ms. WU is a certified public accountant registered in the United States and Taiwan. She received a Master of Business Administration degree having majored in Accounting from the California State University, Los Angeles in 1993 and a Master of Business Administration degree from National Chengchi University in Taipei, Taiwan in 2008.

Ms. WU is a member of the Corporate Sustainability Committee.

Ms. WU entered into a service contract with the Company for a term of three years commencing on 1 April 2022. Such service contract, save as supplemented to reflect her re-designation as a non-executive Director, remains effective. Under the service contract, Ms. WU’s emoluments recorded in 2020 include director’s fees, salaries and other benefits of approximately HK\$240,000, which were determined with reference to her experience and qualification.

Ms. WU is deemed to be interested in 50,000 underlying shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Ms. WU is not related to any other Directors, senior management, or substantial or controlling Shareholders of the Company.

Ms. WU has no information to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

There are no other matters that need to be brought to the attention of the Shareholders.

CLARIFICATION IN RELATION TO CIRCULAR, NOTICE OF ANNUAL GENERAL MEETING AND FORM OF PROXY FOR USE AT ANNUAL GENERAL MEETING TO BE HELD ON 7 JUNE 2024

Reference is made to Circular, the Original AGM Notice and the Original Proxy Form for use at the AGM. Unless otherwise defined, capitalised terms used herein have the same meaning as those defined in the Circular, the Original AGM Notice and the Original Proxy Form.

Due to the Re-designation, the Company would like to clarify that the ordinary resolution 3(d) in the Circular, the Original AGM Notice and the Original Proxy Form shall be read as “To re-elect Ms. WU Ling-ling as a non-executive Director.”.

Except as disclosed above, all the other information contained in the English and Chinese versions of the Circular, the Original AGM Notice and the Original Proxy Form remain unchanged and will remain valid for the use of the AGM or any adjournment thereof. This clarification announcement is supplemental to and should be read in conjunction with the Circular, the Original AGM Notice and the Original Proxy Form.

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

Hong Kong, 29 April 2024

As at the date of this announcement, the executive Directors are Mr. HSU Shu-ping, Mr. CHANG Chen-kuen and Mr. LIN Seng-chang; the non-executive Director are Mr. HSU Shu-tong (Chairman), Mr. LEE Kun-yen, Mr. CHEN Ruey-long and Ms. WU Ling-ling; the independent non-executive Directors are Mr. TSIM Tak-lung Dominic, Mr. WANG Wei, Mr. LEE Kao-chao and Dr. WANG Kuo-ming.