Asia Cement (China) Holdings Corporation

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 743)

2013 ANNUAL RESULTS ANNOUNCEMENT

2013 ANNUAL RESULTS HIGHLIGHTS

- Revenue increased by 10% to approximately RMB7,330.8 million (2012: approximately RMB6,684.1 million).

- Profit attributable to owners of the Company increased by 108% to approximately RMB823.0 million (2012: approximately RMB395.1 million). The significant increase in profit attributable to owners of the Company was mainly attributable to (i) the increase of production capacity and sales volume; (ii) the increase in average selling price of the Company's products; and (iii) the decrease in coal cost compared with that of the previous year.

- Basic earning per share amounted to RMB0.529 (2012: RMB0.254), representing an increase of approximately 108%.

- The Board proposed a final dividend of RMB15 cents per share, representing a payout ratio of 28%.

THE FINANCIAL STATEMENTS

Results

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 2013, together with the comparative figures for 2012 as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2013

	NOTES	**2013** *RMB'000*	2012 *RMB'000*
Revenue	*3*	**7,330,818**	6,684,149
Cost of sales		**(5,714,167)**	(5,562,181)
Gross profit		**1,616,651**	1,121,968
Other income	*4*	**161,952**	155,941
Other gains and losses	*5*	**113,988**	17,125
Distribution and selling expenses		**(369,503)**	(332,547)
Administrative expenses		**(261,604)**	(264,253)
Finance costs		**(157,998)**	(194,731)
Share of profit of a joint venture		**3,600**	4,047
Share of profit of an associate		**1,938**	1,377
Profit before tax		**1,109,024**	508,927
Income tax expense	*6*	**(262,720)**	(102,321)
Profit for the year	*7*	**846,304**	406,606
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sales investment		**379**	–
Fair value gain (loss) on a hedging instruments in cash flow hedges		**4,239**	(2,767)
Total comprehensive income for the year		**850,922**	403,839
Profit for the year attributable to:			
Owners of the Company		**823,010**	395,123
Non-controlling interests		**23,294**	11,483
		846,304	406,606
Total comprehensive income for the year attributable to:			
Owners of the Company		**827,628**	392,356
Non-controlling interests		**23,294**	11,483
		850,922	403,839
Dividend – Proposed final	*8*	**233,438**	155,625
		RMB	*RMB*
Earnings per share	*9*		
Basic		**0.529**	0.254
Diluted		**0.529**	0.254

Consolidated Statement of Financial Position
At 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**10,313,948**	9,380,366
Quarry		**202,355**	214,909
Prepaid lease payments		**584,415**	582,957
Goodwill		**138,759**	138,759
Other intangible assets		**9,726**	13,981
Interest in a joint venture		**31,691**	28,891
Interest in an associate		**16,920**	14,982
Held-to-maturity investments		**–**	126,225
Restricted bank deposits		**25,840**	25,840
Deferred tax assets		**27,015**	20,761
Long term receivables		**35,925**	48,326
Long term prepaid rental		**25,094**	11,091
		11,411,688	10,607,088
CURRENT ASSETS			
Inventories	*10*	**714,262**	757,090
Long term receivables – due within one year		**28,697**	12,861
Trade and other receivables	*11*	**2,722,117**	2,560,160
Held-for-trading investments		**–**	55,143
Available-for-sales investments		**99,690**	–
Prepaid lease payments		**17,764**	17,080
Loan to a related company		**391,421**	–
Amount due from an associate		**5,297**	4,614
Restricted bank deposits		**3,258**	14,814
Bank balances and cash		**1,967,521**	1,620,114
		5,950,027	5,041,876
CURRENT LIABILITIES			
Trade and other payables	*12*	**783,419**	660,156
Amounts due to non-controlling interests		**–**	2,043
Amount due to a joint venture		**6,865**	8,267
Tax payables		**103,117**	26,132
Borrowings – due within one year		**3,473,494**	2,739,881
		4,366,895	3,436,479
NET CURRENT ASSETS		**1,583,132**	1,605,397
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,994,820**	12,212,485

	NOTES	2013 RMB'000	2012 RMB'000
NON-CURRENT LIABILITIES			
Borrowings – due after one year		**3,482,953**	3,294,173
Derivative liabilities		**6,300**	10,539
Deferred tax liabilities		**18,692**	18,093
Provision for environmental restoration		**9,052**	6,000
		3,516,997	3,328,805
NET ASSETS		**9,477,823**	8,883,680
CAPITAL AND RESERVES			
Share capital	*13*	**139,549**	139,549
Reserves		**9,095,800**	8,461,660
Equity attributable to owners of the Company		**9,235,349**	8,601,209
Non-controlling interests		**242,474**	282,471
TOTAL EQUITY		**9,477,823**	8,883,680

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2013

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Island 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 principally engaged in the 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. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRs"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

In the current year, the Group has applied the following new and revised IFRSs issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee ("IFRIC") for the first time in the current year:

Amendments to IFRSs	Annual improvements to IFRSs 2009–2011 cycle
Amendments to IFRS 1	Government Loans
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

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

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual improvements to IFRSs 2010–2012 cycle[4]
Amendments to IFRSs	Annual improvements to IFRSs 2011–2013 cycle[2]
IFRS 9	Financial instruments[3]
IFRS 14	Regulatory Deferral Accounts[5]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

3. REVENUE

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

	2013	2012
	RMB'000	*RMB'000*
Sales of cement products and related products	**6,705,547**	6,059,141
Sales of concrete	**625,271**	625,008
	7,330,818	6,684,149

4. OTHER INCOME

	2013	2012
	RMB'000	*RMB'000*
Government grant income	**62,514**	73,230
Transportation fee income	**10,524**	8,165
Sales of scrap materials	**9,027**	6,471
Interest income on bank deposits	**60,171**	60,553
Interest income on held-to-maturity investments	**7,570**	115
Imputed interest income on long term receivables	**–**	264
Rental income, net of outgoings *(note)*	**4,740**	714
Others	**7,406**	6,429
	161,952	155,941

Note: The direct operating expenses incurred for generating rental income amount to approximately RMB2,956,000 (2012: RMB420,000).

5. OTHER GAINS AND LOSSES

	2013	2012
	RMB'000	*RMB'000*
Exchange gains, net	**124,108**	6,612
(Allowance for) reversal of doubtful debts, net	**(6,567)**	10,857
Loss on disposal/write-off of property, plant and equipment	**(648)**	(693)
Gain on disposal of held-to-maturity investments	**340**	–
(Loss) gain on changes in fair values of held-for-trading investments	**(3,245)**	349
	113,988	17,125

6. INCOME TAX EXPENSE

	2013	2012
	RMB'000	*RMB'000*
The tax expense comprises:		
Current tax:		
– PRC enterprise income tax ("EIT")	**266,731**	102,402
Withholding tax paid	**1,235**	4,895
Underprovision in prior years	**409**	571
Deferred tax	**(5,655)**	(5,547)
	262,720	102,321

The PRC EIT is calculated at the prevailing tax rate on the taxable income of the group entities in the PRC.

During the current year, the relevant tax rates for the PRC subsidiaries of the Group ranged from 15% to 25% (2012: ranged from 12.5% to 25%).

Pursuant to "The Notice of Implement of Transitional Preferential Corporate Income Tax Policy issued by State Council" ("Guo Shui [2013] no. 490"), Sichuan Yadong Cement Co., Ltd. ("Sichuan Yadong") was granted a tax concession to pay corporate income tax at a preferential rate of 15% in 2013. The tax rate of Sichuan Yadong is 25% in 2012.

Pursuant to the relevant laws and regulation in the PRC, certain PRC subsidiaries of the Group were exempted from PRC EIT for two years starting from their first profit making year and followed by a 50% reduction on the PRC EIT for the next three years. As at 31 December 2013, the tax rates of these subsidiaries are 25% (2012: 12.5%) following the expiration of such tax concessions of these subsidiaries on 31 December 2012.

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

The Company is not subject to income tax in Cayman Island and any other jurisdiction.

7. PROFIT FOR THE YEAR

	2013 *RMB'000*	2012 *RMB'000*
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	**716,518**	711,351
– Prepaid lease payments	**17,389**	15,383
– Quarry	**13,297**	12,781
– Other intangible assets	**5,043**	5,006
	752,247	744,521
Auditors' remuneration	**4,830**	4,830
Staff costs, including directors' remuneration		
Salaries and other benefits	**314,463**	305,553
Retirement benefits scheme contributions	**22,344**	21,984
Total staff costs	**336,807**	327,537
Cost of inventories recognised as expenses	**5,714,167**	5,562,181
Rental payments under operating leases	**21,801**	26,671

8. DIVIDENDS

	2013 *RMB'000*	2012 *RMB'000*
Dividend recognised as distributions during the year:		
2012 Final, paid – RMB10 cents (2012: 2011 final dividend RMB17 cents) per share	**155,625**	264,563

A final dividend for the year ended 31 December 2013 of RMB15 cents per share (2012: RMB10 cents per share) amounting to approximately RMB233,437,500 (2012: RMB155,625,000) has been proposed by the Board of Directors 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 annual general meeting.

9. EARNINGS PER SHARE

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

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**823,010**	395,123
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,556,250**	1,556,250

The share options had anti-dilutive effect on the earnings per share for the year ended 31 December 2013 as the average market price of the Company's share was lower than the exercise price of the options.

10. INVENTORIES

	2013	2012
	RMB'000	*RMB'000*
Spare parts and ancillary materials	**332,438**	333,619
Raw materials	**282,109**	287,727
Work in progress	**55,851**	61,723
Finished goods	**43,864**	74,021
	714,262	757,090

11. TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**1,205,417**	1,116,918
Less: allowance for doubtful debts	**(69,182)**	(62,889)
	1,136,235	1,054,029
Bills receivable	**1,257,244**	1,251,709
	2,393,479	2,305,738
Other receivables	**46,550**	49,265
Less: allowance for doubtful debts	**(2,332)**	(2,332)
	44,218	46,933
	2,437,697	2,352,671
Advances to suppliers	**197,988**	159,448
Deposits	**10,489**	8,246
Prepayments	**8,949**	5,280
Value-added tax recoverable	**66,994**	34,515
	2,722,117	2,560,160

The Group has a policy of allowing a credit period of 30 to 90 days for cement customers and 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 ageing analysis of trade receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	Cements		**Concrete**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
0–90 days	**506,496**	467,775	**216,673**	192,439	**723,169**	660,214
91–180 days	**121,988**	96,136	**111,346**	117,475	**233,334**	213,611
181–365 days	**–**	5,338	**131,276**	134,490	**131,276**	139,828
Over 365 days	**–**	–	**48,456**	40,376	**48,456**	40,376
	628,484	569,249	**507,751**	484,780	**1,136,235**	1,054,029

The following is an ageing analysis of bills receivable (trade-related) presented based on the dates of bills issued by the customers at the end of the reporting period:

	Cements		**Concrete**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
0–90 days	**940,073**	822,913	**63,696**	38,421	**1,003,769**	861,334
91–180 days	**237,191**	372,864	**12,484**	8,989	**249,675**	381,853
181–365 days	**3,800**	8,522	**–**	–	**3,800**	8,522
	1,181,064	1,204,299	**76,180**	47,410	**1,257,244**	1,251,709

12. TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**365,237**	295,135
Bills payable	**12,477**	9,196
	377,714	304,331
Accruals	**91,368**	74,170
Advances from customers	**85,479**	86,798
Staff wages and welfare payable	**56,698**	50,087
Value added tax payable	**40,893**	15,297
Construction cost payable	**59,133**	50,142
Other payables	**72,134**	79,331
	783,419	660,156

The following is an ageing analysis of trade and bill payables presented based on the invoice dates at the end of the reporting period:

	2013	2012
	RMB'000	*RMB'000*
0–90 days	**326,179**	272,654
91–180 days	**32,265**	15,601
181–365 days	**12,041**	7,517
Over 365 days	**7,229**	8,559
	377,714	304,331

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 *HK$'000*	Shown in the financial statements as *RMB'000*
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	1,556,250,000	155,625	139,549

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

In 2013, the central government maintained its priority on "achieving stable growth". It continued to adopt proactive fiscal policy and prudent monetary policy, introduced innovative austerity measures, deepened reforms, and accelerated the pace of industry transformation and upgrade, with an aim to safeguard and improve people's livelihood. As a result, the national economy continued to sustain stable and healthy growth, with a 7.7% GDP growth in 2013, meeting the 7.5% preset target; a 19.6% growth in total fixed asset investments, representing a 1 percentage point decrease from that of 2012; a 19.8% growth in property development investment, representing a 3.6 percentage points year-on-year increase.

In 2013, total cement output in China amounted to 2.41 billion tonnes, representing an increase of 230 million tonnes or 11% from 2.18 billion tonnes in 2012. On the other hand, obsolete cement capacity of over 73 million tonnes was eliminated in 2013. The government's intensified efforts to protect the environment and industry's self-discipline in conserving energy and reducing emission had helped alleviate the problem of excessive capacity. Coupled with infrastructure investments and robust rural market activities, cement market demand had sustained stable growth, with improvement in supply-demand relationship and significant increase in industry profit when compared with that of 2012.

In response to rapid change in the macro-economic environment, the Group had strengthened its competitiveness by adopting various measures, and overcome challenges with noticeable results. The Group had formed a strategic alliance with an industry giant in order to complement each other's strengths. To maximize efficiency, the Group had reallocated resources of various companies under it. Responding to market change, the Group made timely adjustment to its sales strategies, thereby enlarging its share in major markets. The Group had lowered its coal purchase costs by leveraging the advantage of central procurement. The Group sets high environmental standards at the early stage of building a factory. As such, all production lines had not incurred significant additional costs when the government tightened environmental requirements. Furthermore, in compliance with local government requirements, the Group had installed all the production lines with SNCR denitration system, to reduce NOx emission, thereby fulfilling its social responsibilities. All these efforts enabled the Group to achieve encouraging results for 2013, with cement and clinker sales amounting to over 26,120,000 tonnes, representing an increase of 2,240,000 tonnes or 9% from 23,880,000 tonnes in 2012. Benefiting from sales increase coupled with a close to 5% drop in unit production cost, the Group's profits leaped significantly.

Business operation of the Group by major geographical region is set out as follows:

(1) Sichuan Chengdu Region

Compared with 2012, cement demand in Sichuan Province in 2013 rose by 4%, which was significantly lower than the national average growth rate of 11%. Furthermore, the region had severe overcapacity problem due to market structure and topography. After years of competition and operating at low selling price and thin profit margin, companies deeply felt that it was imperative to improve supply-demand relationship. Steered by the association and industry leaders, companies implemented self-discipline to reduce emission and other measures, leading to a market equilibrium and significant year-on-year increase in profits in 2013. Sichuan Yadong sold 5,280,000 tonnes of cement in 2013, which was 4% more than 5,090,000 tonnes in 2012.

(2) Central and downstream regions of Yangtze River

Over 80% of the Group's capacity was located in central and downstream regions of Yangtze River. As at the end of 2013, the Group's annual cement capacity reached 25,000,000 tonnes. Leveraging its premium and consistent quality, Skyscraper brand cement has earned itself a first-class brand in Wuhan, Nanchang, Jiujiang, Huanggang and Shanghai, with a relatively large market share, and various products under this brand are highly recognized by customers. In the first quarter of 2013, owing to cold weather and continual rain, coupled with additional capacity released in the region, certain large companies made massive cuts to their prices several times to reduce their inventory level, causing the Group's price at the end of February to plunge to its lowest in the past five years in certain regions. However, since April, the weather improved and more construction projects commenced work, leading to stronger market demand. Furthermore, cement companies responded to the association's call and effectively conserved energy and reduced emission. Market situation rapidly improved, with prices rising steadily. With peak season arriving in September, prices in different regions rose significantly, and the Group's products faced with excess demand. Favourable sales and output volumes painted a rosy picture of the Group.

Jiangxi Yadong No. 5 kiln, which inaugurated at the end of September 2013, together with its ancillary cement grinding facilities (operation of which gradually commenced), made significant contribution to the Group's overall results. In addition, Hubei Yadong, Wuhan Yadong, Yangzhou Yadong also fully utilized their grinding capacity through outsourcing clinker, thereby increasing cement supply to customers. In this region, the Group sold a total of 20,450,000 tonnes cement in 2013, which was 16% more than 17,620,000 tonnes in 2012.

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 2013, the Group's revenue amounted to RMB7,330.8 million, representing an increase of RMB646.7 million or 10% from RMB6,684.1 million for 2012. The increase in revenue was mainly attributable to (i) the increase of production capacity and sales volume after the commencement of operation of No. 5 new dry process rotary kiln at Jiangxi Yadong Plant and (ii) the increase in average selling price of the Company's products.

	2013		2012	
Region	***RMB'000***	*%*	*RMB'000*	*%*
Central Yangtze River	**4,487,737**	**61**	3,939,397	59
Sichuan	**1,545,514**	**21**	1,485,326	22
Yangtze River Delta and Others	**1,297,567**	**18**	1,259,426	19
Total	**7,330,818**	**100**	6,684,149	100

In respect of revenue contribution for 2013, sales of cement accounted for 89% (2012: 84%) and sales of concrete accounted for 8% (2012: 9%). The table below shows the sales breakdown by product during the reporting period:

	2013		2012	
	RMB'000	*%*	*RMB'000*	*%*
Cement	**6,506,072**	**89**	5,638,970	84
Clinker	**72,834**	**1**	232,947	4
RMC	**625,271**	**8**	625,008	9
Blast-furnace slag powder	**126,641**	**2**	187,224	3
Total	**7,330,818**	**100**	6,684,149	100

The table below shows the sales volume of each of the Group's products during the reporting period:

	2013	2012
	'000 units	*'000 units*
Cement	**25,726**	22,708
Clinker	**395**	1,173
RMC	**2,011**	1,990
Blast-furnace slag powder	**611**	871

Note: The sales volume for cement, clinker, and blast-furnace slag powder is measured in tonnes and that for RMC is measured in cubic meters.

Based on the sales revenue and sales volume as set out above, the average selling price of cement was RMB253 per tonne in 2013 (2012: RMB248 per tonne).

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 2013, the Group's cost of sales increased by 3% to RMB5,714.2 million from RMB5,562.2 million for 2012 due to the increase in sales volume of the Group which were partially offset by the decrease in coal cost.

The gross profit for 2013 was RMB1,616.7 million (2012: RMB1,122.0 million), with a gross profit margin of 22% (2012: 17%). The increase in gross profit was mainly attributable to (i) the increase of production capacity and sales volume; (ii) the increase in average selling price of the Company's products; and (iii) the decrease in coal cost 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 2013, other income amounted to RMB162.0 million, representing an increase of RMB6.1 million or 4% from RMB155.9 million for 2012. The increase in other income was attributable to the increase in rental income and interest income on held-to-maturity investments during the year.

Other Gains and Losses

Other gains and losses mainly comprise net foreign exchange gains, recovery of (allowance for) doubtful debts and loss on disposal/write-off of property, plant and equipment. For 2013, other gains and losses amounted to RMB114.0 million, representing an increase of RMB96.9 million or 567% from RMB17.1 million for 2012. The increase in other gains and losses was principally attributable to the increase in foreign exchange gains from US dollar-denominated bank borrowings.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2013, the distribution and selling expenses amounted to RMB369.5 million, representing an increase of RMB37.0 million or 11% from RMB332.5 million for 2012. The increase in distribution costs was attributable to the increase in sales volume of cement products in 2013.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses decreased by 1%, from RMB264.3 million to RMB261.6 million. The decrease was attributable to the decrease in the general office expenses.

The 19% decrease in finance costs was mainly due to (i) more borrowing costs capitalised during the year since the construction of two new production lines and (ii) decrease in interest rate.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2013 increased by RMB600.1 million, or 118%, to RMB1,109.0 million from RMB508.9 million for 2012.

Income Tax Expenses

In 2013, income tax expenses increased by RMB160.4 million, or 157%, to RMB262.7 million from RMB102.3 million for 2012. The effective tax rate of the Group for 2012 and 2013 was 20.1% and 23.7% respectively.

Non-controlling Interests

In 2013, non-controlling interests amounted to RMB23.3 million, representing an increase of RMB11.8 million, or 103%, from RMB11.5 million for 2012 primarily due to the increase in profit contribution from Jiangxi Yadong.

Profit for the Year

For 2013, the net profit of the Group amounted to RMB846.3 million, representing an increase of RMB439.7 million or 108% from RMB406.6 million for 2012.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial and liquidity position for the year ended 31 December 2013. Total assets increased by 11% to approximately RMB17,361.7 million (31 December 2012: approximately RMB15,649.0 million) while total equity grew by 7% to approximately RMB9,477.8 million (31 December 2012: approximately RMB8,883.7 million).

Restricted Bank Deposits, Bank Balances and Cash

As at 31 December 2013, the Group's restricted bank deposits, bank balances and cash amounted to approximately RMB1,996.6 million (31 December 2012: RMB1,660.8 million) of which about 94% was denominated in RMB and about 6% in United States dollars, with the remainder denominated in Hong Kong dollars and Singapore dollars.

Cash Flow

The Group derives its net 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 is used primarily for raw material purchases, payment for fuel and power, distribution costs, staff salaries and interest payments. Cash generated from operating activities increased from RMB1,550.0 million in 2012 to RMB1,792.7 million in 2013. This was mainly due to the increase in profit before tax and trade and other payables.

The Group's cash inflow from investment activities primarily consists of interest income and proceeds from disposal of property, plant and equipment. The Group's cash outflow from investment activities primarily consists of purchases of property, plant and equipment, land use rights and quarry and purchase of held-to-maturity investments. In 2013, the net cash used in investment activities of the Group amounted to RMB1,929.1 million, representing an increase of 179% from RMB692.4 million for 2012. The increase in cash flow by RMB1,236.7 million used in investment activities was primarily attributable to more cash used for the purchase of property, plant and equipment to expand the production capacities of the Group.

In 2013, the net cash from financing activities of the Group amounted to RMB483.8 million. This was primarily due to increase in new borrowings in 2013.

Capital Expenditure

Capital expenditure for the year ended 31 December 2013 amounted to approximately RMB1,692.9 million and capital commitments as at 31 December 2013 amounted to approximately RMB1,131.8 million. Both the capital expenditure and capital commitments were mainly related to the purchases of plant and equipment for the new production lines. The Group anticipates that funding for those commitments will come from future operating revenue, bank borrowings and other sources of finance when appropriate.

Borrowings

The Group's borrowings as at 31 December 2013 and 2012 are summarised below:

	As at 31 December			
	2013		2012	
	RMB'000	*%*	*RMB'000*	*%*
Short-term borrowings	**3,473,494**	**50**	2,739,881	45
Long-term borrowings	**3,482,953**	**50**	3,294,173	55
Currency denomination				
– Renminbi	**1,671,095**	**24**	2,251,737	37
– US dollars	**5,281,479**	**76**	3,782,317	63
– Hong Kong dollars	**3,873**	**0**	–	–
Borrowings				
– secured	**–**	**–**	–	–
– unsecured	**6,956,447**	**100**	6,034,054	100
Interest rate structure				
– fixed-rate borrowings	**586,000**	**8**	586,000	10
– variable-rate borrowings	**6,370,447**	**92**	5,448,054	90
Interest rate				
– fixed-rate borrowings		**2.95%**		2.95%
– variable-rate borrowings		**90% to 100% of the Benchmark Interest Rate of the PRC or LIBOR plus margin of 0.5%–2.6%**		90% to 100% of the Benchmark Interest Rate of the PRC or LIBOR plus margin of 0.5%–3.5%

As at 31 December 2013, the Group had unutilised credit facilities in the amount of RMB3,960 million.

As at 31 December 2013, the Group's gearing ratio was approximately 45% (31 December 2012: 43%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2013 and 2012 respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as at 31 December 2013.

Contingent Liabilities

As at the date of this announcement and as at 31 December 2013, the Board is not aware of any material contingent liabilities.

Human Resources

As at 31 December 2013, the Group had 4,096 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds scheme according to the applicable laws and regulations of the PRC for its employees in the People's Republic of China ("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 the Pre-IPO Share Option Scheme and 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 in accordance with their past and potential contribution to the growth of the Group. As at 31 December 2013, about 11,578,000 share options were granted under the Pre-IPO Share Option Scheme and no share options have been exercised to date. Also, as at 31 December 2013, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

The Group did not make any significant investment, material acquisitions or disposals during 2013.

Foreign Exchange Risk Management

The Group's sales and purchases during the reporting period were mostly denominated in Renminbi. However, some of the Group's bank borrowings were denominated in foreign currencies.

RMB is not a freely convertible currency. Future exchange rates of 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 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 currently does not maintain a foreign currency hedging policy. However, the Group's management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

2. BUSINESS PROSPECTS

2014 is the fourth year of China's "12th Five-Year Plan". It is also the most crucial year for the full completion of the Plan. The central government will continue to maintain continuity and stability of its macro-economic policies in order to vitalize the market, deepen reforms, push ahead with the "new urbanization", implement measures to enhance the quality of economic growth, and ensure social harmony and stability. The national economy is expected to sustain a stable yet rapid growth, with full year economic growth rate reaching 7.5% and a 17.5% increase in fixed asset investments.

Looking into 2014, on the supply side, China is expected to have 100 million tonnes new production cement capacities, which will mainly be released from delayed construction projects from the past two years. However, supply pressure is expected to be less severe than past years. The haze disaster happened in 2013 has accelerated the government's action in closing down inefficient and obsolete cement plants. The government's relentless measures include the following: first, the State Council took back the power to approve cement investment projects previously devolved to provincial governments, and requested provincial governments to follow policy standards to strictly control new capacity; second, the Ministry of Environmental Protection announced the "Air pollutants emission standards for cement industry", which was regarded as "the most stringent in history". These standards will force a large number of unqualified enterprises to leave the market; third, PC32.5 grade cement output will gradually reduce, with the category eventually be abolished. The Ministry of Housing and Urban-Rural Development is also escalating the promotion of high-performance concrete. The introduction of complementary policies will help accelerate the abolishment of low grade cement, while small grinding mills will also be forced to exit the market. The abovementioned measures will further optimize industry structure through a more optimum capacity level and supply-demand balance, thereby benefiting the overall cement industry. As the Group has always been adopting high environmental standards, it will benefit from these policies. On the demand side, due to massive wave of new urbanization sweeping across the country, fixed asset investments and property investments will continue to be stable, while infrastructure investment prospects remain promising. Within the industry, it is generally thought that cement demand in 2014 will increase by 6% to 7%. Although the growth rate is lower than 11% of 2013, it is still a relatively high growth rate. All in all, the management believes that in 2014, growth in demand will remain stable, while supply is likely to grow at a slower pace or stay at the same level. As such, the outlook for the cement industry is positive.

The Group will follow closely government's reforms, and actively implement measures in compliance with the State's environmental policies. The Group will reduce energy consumption, lower costs, as well as make constant improvement in operations in order to enhance its overall competitiveness. After the inauguration of Jiangxi Yadong No. 6 (with a daily clinker production capacity of 6,000 tonnes) in January 2014, the Group's scale of production, transportation and sales has exceeded 30 million tonnes per annum. Upon the completion of a silo and ancillary facilities in Taizhou in August 2014, the Group's sales network can be further extended to overseas markets, which will increase its flexibility in adjusting sales strategy, thereby enabling it to achieve full disposal of all output. In addition, the Group will continue to seek opportunities to further expand and strengthen its existing operation and efficiency. The Group aims at achieving the target of a 40 million tonnes annual production capacity in 2015 and 50 million tonnes in 2016. Judging from the Group's balanced development in recent years, the management is confident in meeting the targets of an annual production capacity of 50 million tonnes and enlisting among the top 10 industry players, as well as achieving steady profit growth for the Company.

OTHER INFORMATION

Dividend

In acknowledging continuous support from the Group's shareholders, the Board recommends the payment of a final dividend of RMB15 cents per ordinary share in respect of the year ended 31 December 2013, subject to approval by shareholders at the forthcoming annual general meeting of the Company. The dividend will be payable on 7 May 2014 to shareholders whose names appear on the Register of Member of the Company on 22 April 2014.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 9 April 2014 to Wednesday, 16 April 2014, 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 Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (New Address: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) not later than 4:30 p.m. on Tuesday, 8 April 2014.

Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after close of business at 4:30 p.m. on Tuesday, 22 April 2014 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 Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (New Address: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) not later than 4:30 p.m. on Tuesday, 22 April 2014.

Corporate Governance

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the year ended 31 December 2013, except the following:

Code provision A.1.8 of the CG Code requires that the Company should arrange appropriate insurance cover in respect of legal actions 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.

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Liu, Zhen-tao and Mr. Lei, Qian-zhi, the independent non-executive Directors were unable to attend the annual general meeting of the Company held on 22 May 2013 as they were out of town for other businesses.

Audit Committee

The Company established the Audit Committee on 27 April 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices 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 Dr. Wong Ying-ho Kennedy, all of whom are non-executive Directors and the majority of whom are independent non-executive Directors.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also reviewed auditing, internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2013, together with the management.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors (the "Code"). The Company, having made specific enquiry with all Directors, confirms that its Directors had complied with the required standards set out in the Code throughout the year ended 31 December 2013.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2013, 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 The Stock Exchange of Hong Kong Limited ("Stock Exchange") (www.hkexnews.com.hk) and the Company (www.achc.com.cn). The annual report 2013 of the Company will be dispatched to 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 period.

By order of the Board
Asia Cement (China) Holdings Corporation
Mr. Hsu, Shu-tong
Chairman

Hong Kong, 13 March 2014

As at the date of this announcement, the executive Directors are Mr. CHANG Tsai-hsiung, Dr. WU Chung-lih, Madam CHIANG SHAO Ruey-huey, Mr. CHANG Chen-kuen, Mr. LIN Seng-chang and Mr. HSU Shu-ping, the non-executive Director and Chairman is Mr. HSU Shu-tong, the independent non-executive Directors are Mr. LIU Zhen-tao, Mr. LEI Qian-zhi, Mr. TSIM Tak-lung Dominic and Dr. WONG Ying-ho Kennedy.