Asia Cement (China) Holdings Corporation

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 743)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 1% to RMB6,338.2 million (2015: approximately RMB6,391.2 million).
- Profit attributable to owners of the Company was RMB133.6 million (2015: Loss attributable to owners of the Company approximately RMB299.1 million).
- Basic earnings per share amounted to RMB0.085 (2015: Basic loss per share RMB0.191).
- The Board proposed a final dividend of RMB3 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 2016, together with the comparative figures for 2015 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2016

	NOTES	**2016** **RMB'000**	2015 *RMB'000*
Revenue	*3*	**6,338,152**	6,391,165
Cost of sales		**(5,088,000)**	(5,434,903)
Gross profit		**1,250,152**	956,262
Other income	*4*	**90,981**	128,548
Other gains and losses	*5*	**(104,614)**	(419,610)
Distribution and selling expenses		**(431,594)**	(415,318)
Administrative expenses		**(254,828)**	(322,460)
Finance costs		**(222,424)**	(177,673)
Share of profit of joint ventures		**2,539**	1,518
Share of profit of an associate		**110**	1,398
Profit (loss) before tax		**330,322**	(247,335)
Income tax expense	*6*	**(179,364)**	(45,375)
Profit (loss) for the year	*7*	**150,958**	(292,710)
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on a hedging instruments in cash flow hedges		**–**	2,876
Total comprehensive income (loss) for the year		**150,958**	(289,834)
Profit (loss) for the year attributable to:			
Owners of the Company		**133,562**	(299,123)
Non-controlling interests		**17,396**	6,413
		150,958	(292,710)
Total comprehensive income (loss) for the year attributable to:			
Owners of the Company		**133,562**	(296,247)
Non-controlling interests		**17,396**	6,413
		150,958	(289,834)
Dividend – Proposed final	*8*	**47,006**	78,343
		RMB	*RMB*
Earnings (loss) per share	*9*		
Basic		**0.085**	(0.191)
Diluted		**0.085**	(0.191)

Consolidated Statement of Financial Position
At 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**10,079,179**	10,879,534
Quarry		**250,322**	256,476
Prepaid lease payments		**735,033**	640,879
Investment properties		**20,370**	20,950
Goodwill		**693,000**	693,000
Other intangible assets		**4,431**	4,638
Interest in joint ventures		**63,725**	74,345
Interest in an associate		**17,021**	17,711
Restricted bank deposits		**29,758**	29,106
Deferred tax assets		**68,979**	72,531
Long term prepaid rental		**24,283**	29,057
		11,986,101	12,718,227
CURRENT ASSETS			
Inventories	*10*	**767,818**	740,781
Long term receivables – due within one year		**25,953**	27,953
Trade and other receivables	*11*	**2,039,576**	2,510,213
Prepaid lease payments		**23,279**	20,150
Loan to related companies		**476,683**	456,935
Amount due from an associate		**3,752**	7,247
Amount due from a joint venture		**40,465**	36,058
Restricted bank deposits		**5,108**	4,366
Bank balances and cash		**533,420**	1,105,250
		3,916,054	4,908,953
CURRENT LIABILITIES			
Trade and other payables	*12*	**969,138**	1,041,963
Amount due to a joint venture		**13,479**	18,160
Amount due to ultimate holding company		**–**	828
Tax payables		**48,015**	10,847
Borrowings – due within one year		**1,928,934**	3,379,212
		2,959,566	4,451,010
NET CURRENT ASSETS		**956,488**	457,943
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,942,589**	13,176,170

	NOTES	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES			
Borrowings – due after one year		**3,262,563**	3,565,860
Deferred tax liabilities		**22,327**	21,170
Provision for environmental restoration		**22,551**	18,214
		3,307,441	3,605,244
NET ASSETS		**9,635,148**	9,570,926
CAPITAL AND RESERVES			
Share capital	*13*	**140,390**	140,390
Reserves		**9,214,171**	9,158,952
Equity attributable to owners of the Company		**9,354,561**	9,299,342
Non-controlling interests		**280,587**	271,584
TOTAL EQUITY		**9,635,148**	9,570,926

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2016

1. GENERAL INFORMATION

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 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 ("IFRSs"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong).

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

IFRS 14	Regulatory Deferral Accounts
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012 - 2014 Cycle

The application of the new 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.

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transaction[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contract[1]
Amendment to IFRS 15	Classifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 40	Transfer of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014 - 2016 Cycle[5]

1 Effective for annual period beginning on or after 1 January 2018.
2 Effective for annual period beginning on or after 1 January 2019.
3 Effective for annual period beginning on or after a date to be determined.
4 Effective for annual period beginning on or after 1 January 2017.
5 Effective for annual period beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

3. REVENUE

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

	2016	2015
	RMB'000	*RMB'000*
Sales of cement products and related products	**5,936,860**	5,880,746
Sales of concrete	**401,292**	510,419
	6,338,152	6,391,165

4. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Government grant income	**50,054**	56,273
Transportation fee income	**4,654**	10,321
Sales of scrap materials	**7,297**	4,883
Interest income on bank deposits	**14,698**	41,620
Rental income, net of outgoings *(note)*	**7,025**	5,879
Others	**7,253**	9,572
	90,981	128,548

Note: The direct operating expenses incurred for generating rental income amount to approximately RMB6,654,000 (2015: RMB5,502,000).

5. OTHER GAINS AND LOSSES

	2016	2015
	RMB'000	*RMB'000*
Exchange loss, net	**(54,127)**	(368,647)
Allowance for doubtful debts, net	**(14,277)**	(41,877)
Loss on disposal/write-off of property, plant and equipment	**(1,453)**	(3,171)
Impairment loss on property, plant and equipment	**(21,605)**	–
Loss from changes in fair value of investment property	**(580)**	(5,050)
Impairment loss on investment in a joint venture	**(11,703)**	(861)
Loss on disposal of intangible assets	**–**	(4)
Others	**(869)**	–
	(104,614)	(419,610)

6. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
The tax expense comprises:		
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**160,619**	77,502
Withholding tax paid	**12,780**	14,303
Under provision in prior years	**1,256**	3,004
Deferred tax	**4,709**	(49,434)
	179,364	45,375

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% (2015: ranged from 15% to 25%).

Pursuant to "The Notice on Tax Policy Issues In Relation to further Implementation of the western development strategy". (State Administration of Taxation Caishui [2011] no. 58, Sichuan Yadong Cement Co., Ltd. ("Sichuan Yadong"), Sichuan Lanfeng Cement Co., Ltd. ("Sichuan Lanfeng") and Sichuan Ya Li Transportation Co., Ltd. ("Sichuan Yali") were granted a tax concession to pay corporate income tax at a preferential rate of 15% (2015: 15%) in 2016.

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.

The Company is not subject to income tax in the Cayman Islands and any other jurisdictions.

7. PROFIT (LOSS) FOR THE YEAR

	2016	2015
	RMB'000	*RMB'000*
Profit (loss) for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	**836,531**	852,881
– Prepaid lease payments	**21,888**	23,579
– Quarry	**16,528**	18,044
– Other intangible assets	**1,406**	5,098
	876,353	899,602
Auditors' remuneration	**4,416**	4,129
Staff costs, including directors' remuneration		
Salaries and other benefits	**349,505**	370,855
Retirement benefits scheme contributions	**30,009**	30,954
Total staff costs	**379,514**	401,809
Cost of inventories recognised as expenses	**5,088,000**	5,434,903
Rental payments under operating leases	**39,460**	35,070

8. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Dividend for ordinary shareholders of the Company recognised as distributions during the year:		
2015 Final, paid – RMB5 cents (2015: 2014 final dividend RMB15 cents) per share	**78,343**	235,028

A final dividend for the year ended 31 December 2016 of RMB3 cents per share (2015: RMB5 cents per share) amounting to approximately RMB47,006,000 (2015: RMB78,343,000) 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 (LOSS) PER SHARE

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

	2016	2015
	RMB'000	*RMB'000*
Earnings (loss)		
Earnings (loss) for the purposes of basic earnings per share (profit (loss) for the year attributable to owners of the Company)	**133,562**	(299,123)
	'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 earning (loss) per share is presented as the Company did not have any dilutive shares in issue during both years.

10. INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
Spare parts and ancillary materials	**310,174**	350,869
Raw materials	**251,461**	207,560
Work in progress	**120,714**	99,798
Finished goods	**85,469**	82,554
	767,818	740,781

11. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**1,230,734**	1,328,696
Less: allowance for doubtful debts	**(127,283)**	(139,676)
	1,103,451	1,189,020
Bills receivable	**739,751**	1,058,108
	1,843,202	2,247,128
Other receivables	**46,967**	53,269
Less: allowance for doubtful debts	**–**	(2,332)
	46,967	50,937
	1,890,169	2,298,065
Advances to suppliers	**102,071**	152,484
Deposits	**21,713**	15,584
Prepayments	**1,687**	2,012
Value-added tax recoverable	**23,936**	42,068
	2,039,576	2,510,213

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 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**	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
0–90 days	**370,863**	387,970	**121,055**	98,071	**491,918**	486,041
91–180 days	**73,681**	159,863	**80,346**	75,249	**154,027**	235,112
181–365 days	**92,425**	51,287	**98,053**	168,915	**190,478**	220,202
Over 365 days	**152,069**	140,012	**114,959**	107,653	**267,028**	247,665
	689,038	739,132	**414,413**	449,888	**1,103,451**	1,189,020

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	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
0–90 days	**592,256**	704,668	**6,734**	16,567	**598,990**	721,235
91–180 days	**106,117**	331,443	**1,900**	4,530	**108,017**	335,973
181–365 days	**32,744**	900	**–**	–	**32,744**	900
	731,117	1,037,011	**8,634**	21,097	**739,751**	1,058,108

12. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**450,216**	529,543
Accruals	**94,945**	90,929
Advances from customers	**126,320**	99,646
Staff wages and welfare payable	**50,818**	58,898
Value added tax payable	**50,305**	14,626
Construction cost payable	**59,201**	46,634
Other tax payable	**14,498**	25,514
Due to original holders of Sichuan Lanfeng	**–**	17,692
Consideration payable for acquisition of a subsidiary in 2014	**72,738**	90,690
Other payables	**50,097**	67,791
	969,138	1,041,963

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

	2016	2015
	RMB'000	*RMB'000*
0–90 days	**389,291**	449,018
91–180 days	**27,878**	47,006
181–365 days	**20,268**	10,295
Over 365 days	**12,779**	23,224
	450,216	529,543

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 2015, 31 December 2015, 1 January 2016 and 31 December 2016	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	1,566,851,000	156,685	140,390

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

In the first quarter of 2016, the average selling price of China's P.O42.5 grade cement dropped below RMB250 per tonne. The industry recorded a first quarterly loss of RMB2 billion for the first time, and the loss continued to expand. In May, the State Council of the People's Republic of China promulgated the "Guiding opinion regarding facilitating construction materials industry to maintain steady growth, make structural adjustment and increase efficiency" (Guobanfa [2016] No. 34). The guiding opinion provided a clear objective to the supply-side structural reform of the cement industry and policy measures to solve the problem of excess capacity. Furthermore, driven by both the PRC government and the China Cement Association, the strength and geographical scope of off-peak season production were enhanced. The aforesaid together with a number of factors including an increase in upstream coal price and rise in transportation cost as a result of the control of overloaded highway transport had caused the cement price to gradually revive after August. (Source: Digital Cement website)

In 2016, fixed assets investment in China saw an 8.1% year-on-year increase, representing a 1.9 percentage points drop from that of 2015; property development investment rose by 6.9% year-on-year, up by 5.9 percentage points from that of 2015. The government's substantial investment in infrastructure construction and the recovery of property sales helped lift the national cement demand in 2016. The national cement output reached 2,402.95 million tonnes, representing an increase of 54.99 million tonnes or 2.5% as compared to that of 2015.

In 2016, cement demand gradually became stable, while the supply growth trend slowed down. According to China Cement Research Institute's preliminary statistics, affected by stringent regulation of "Guobanfa [2016] No. 34", a total of 20 cement and clinker production lines, with an aggregate additional clinker production capacity of 25.82 million tonnes, commenced operation in 2016. The new supply of clinker capacity represented a decrease of 21.63 million tonnes or 45.3% when compared with that of 2014, which was the fourth consecutive year of decline. Although the growth rate of new capacity had slowed down and the supply-side structural reform had forced a certain amount of capacity to be phased out of the market, the oversupply problem in the industry remained severe, and the capacity utilisation rate was low. Market scramble and price competition were fierce. Against this backdrop, China Cement Association had stepped up its market coordination efforts in different regions. This together with the growing consensus on cooperation among leading industry players and self-disciplined off-peak season production carried out in various regions, the severe oversupply was alleviated to a certain extent.

To overcome challenges, the Group moved with the times, by deepening reform and continuing to innovate in 2016. First, speed up internal management reform and innovation through simplification. The Group's headquarters coordinated the standardisation of rules of management of its subsidiaries to enhance management efficiency. Particularly in June 2016, the Group announced the implementation of the "Sales Representatives' Performance Appraisal Administrative Measures", thereby increasing the motivation of sales representatives, while the Group's overall business was also instilled with new dynamics. Second, exercise stringent control over accounts receivable management. The Group's overall accounts receivable showed improvement in 2016, reducing by 17% from that of 2015. The optimisation of cash flow thus eased the Group's capital pressure to a certain extent. Third, maintain stable sales in existing markets, identify premium customers and actively expand international market, to develop a diversified marketing and sales approach. Benefitting from the recovery of the national infrastructure construction and property market, and leveraging the good reputation of the Skyscraper brand cement built over the years, the Group's overall sales volume rose and maintained the top two rankings by market share in its core markets. With respect to overseas markets, amid a complex international landscape in 2016, the Group's export volume remained basically the same as in 2015, attributable to the Group's sales diversification. Fourth, continue to adhere to the operation principles of sustainable development and environmental friendly development. The Group had strictly complied with the laws and regulations promulgated by the relevant authorities, and strove to minimise the environmental impacts of production by advocating energy saving and carbon reduction, monitoring its factories' greenhouse gases emission, preventing and regulating air pollution and managing sewage and wastes, in order to provide customers with low carbon products.

The 13th Five-Year Plan saw a successful first year as reflected in the national economy in 2016. China's cement market also showed signs of recovery, with an annual cement production of 2.4 billion tonnes, up by 2.5% year-on-year. Riding on the favourable trend, the Group achieved a 1.2% year-on-year increase in clinker output to 24.29 million tonnes for 2016. The total sales volume of cement products continued to increase, with a year-on-year increase of 1.6% to 30.87 million tonnes. In addition, there had been a growing consensus on self-discipline among industry players since the beginning of 2016, leading to a gradual rebound in prices in major sales regions. As a result, the Group turned its poor performance in 2015 around, with its overall earnings in 2016 significant higher than that of 2015.

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

Item	**2016**	2015	% Change
Cement	**29,250**	28,418	3
Clinker	**1,298**	1,758	(26)
Blast-furnace slag powder	**320**	202	58
Total	**30,868**	30,378	2

Table 2: Breakdown of sales volume of cement by region (Unit: '000 tonnes)

Item	2016	2015	% Change
Southeastern region	**10,569**	10,411	2
Central region	**7,158**	7,847	(9)
Southwestern region	**8,595**	7,818	10
Eastern region	**2,928**	2,342	25
Total	**29,250**	28,418	3

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

	2016		2015	
Item	**Sales volume**	**Percentage** *(%)*	Sales volume	Percentage *(%)*
High grade cement	**24,555**	**84**	22,793	80
Low grade cement	**4,695**	**16**	5,625	20
Total	**29,250**	**100**	28,418	100

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

	2016		2015	
Item	**Sales volume**	**Percentage** *(%)*	Sales volume	Percentage *(%)*
Bulk cement	**22,333**	**76**	20,887	73
Bagged cement	**6,917**	**24**	7,531	27
Total	**29,250**	**100**	28,418	100

(1) Central and downstream regions of Yangtze River

Approximately 70% of the Group's cement capacity (about 24 million tonnes) was located in the central and downstream regions of Yangtze River. The Group was among this region's largest cement enterprises in terms of production capacity. In Wuhan, Jiujiang and Yangzhou, the Company ranked first in market share, while in Nanchang it ranked second. In 2016, cement demand in central and downstream regions of Yangtze River "softened during peak season", as the markets in these regions faced continuous downturn and rigorous competition in the first half of 2016 and affected by the flooding resulted from rainy weather in July and the post-disaster recovery and scorching temperatures in August in the second half of the year. In addition, the substantial rise in coal prices in July and August continued to push up the production costs of clinker and cement. Under the aforesaid situation, industry players, in general, faced operational difficulties. As a result, the industry responded to the call of China Cement Association and implemented energy-saving and emission reduction measures, as well as exercised self-discipline to reduce production since August. Meanwhile, due to G20 summit held in Hangzhou in late August till early September, enterprises in the surrounding areas were mandatorily required to restrict production, which greatly reduced cement supply in the downstream region of Yangtze River, thus accelerating the pace at which industry players exercised self-discipline and increasing their willingness to reduce production. Affected by the abovementioned factors, cement prices began to increase since August. Entering September, as production restriction continued to be imposed on enterprises in certain regions and downstream infrastructure projects commencing construction continued to rise, cement prices continued to increase. In the fourth quarter, both quantity and price rose. Despite the various unfavourable factors, the Group sold a total of 22.11 million tonnes of cement products in the central and downstream regions of Yangtze River in 2016, only slightly down by 1.4% when compared to that of 2015 (basically in line with the drop in market demand), by leveraging its long-term dedication to market development for over 10 years and guarantee of high product and service quality.

(2) Chengdu region

The Group had an aggregate cement capacity of 11 million tonnes in Chengdu region, being the largest cement producer in the region and ranked first in market share. Market demand in Chengdu increased by 5% in 2016 as compared to that of 2015. However, due to severe overcapacity, there was still a large gap between supply and demand. Although China Cement Association convened several meetings to call for deepening the supply-side reform to enhance industry profitability, various measures could not be effectively implemented. As a result, cement selling prices continued to hover at low levels. Cement price only began to rise in the second half of the year, when market demand recovered and the cost for foreign cement products to enter the Chengdu market increased due to rising transportation costs as a result of the control of overloaded highway transport. The Group thus stepped up its marketing efforts in the region. For 2016, the Group sold a total of 8.76 million tonnes of cement products in the Southwestern region, representing an increase of 800,000 tonnes or 10.1% from 2015's 7.96 million tonnes.

Table 5: The Group's market share by region and city (%)

Item	**2016**	2015
Jiujiang	**38%**	38%
Nanchang	**26%**	26%
Wuhan	**27%**	27%
Chengdu	**32%**	31%
Yangzhou	**28%**	30%

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 2016, the Group's revenue amounted to RMB6,338.2 million, representing a decrease of RMB53.0 million or 1% from RMB6,391.2 million in 2015. The decrease in revenue was mainly attributable to the decrease in the average selling price of the Company's products during 2016.

	2016		2015	
Region	***RMB'000***	*%*	*RMB'000*	*%*
Southeastern region	**2,359,717**	**37**	2,436,535	38
Central region	**1,603,377**	**25**	1,804,502	28
Southwestern region	**1,718,501**	**27**	1,550,896	24
Eastern region	**656,557**	**11**	599,232	10
Total	**6,338,152**	**100**	6,391,165	100

In respect of revenue contribution for 2016, sales of cement accounted for 89% (2015: 86%) and sales of concrete accounted for 6% (2015: 8%). The table below shows the sales breakdown by product during the reporting period:

	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Cement	**5,650,370**	**89**	5,557,787	86
Clinker	**198,785**	**3**	266,791	4
RMC	**401,292**	**6**	510,418	8
Blast-furnace slag powder	**44,330**	**1**	32,838	1
Others	**43,375**	**1**	23,331	1
Total	**6,338,152**	**100**	6,391,165	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 2016, the Group's cost of sales decreased by approximately 6% to RMB5,088.0 million from RMB5,434.9 million in 2015 due to the decrease in the cost of coal for the production of cement products.

The gross profit for 2016 was RMB1,250.2 million (2015: RMB956.3 million), with a gross profit margin of 20% (2015: 15%). The increase in gross profit was mainly attributable to the decrease in the average production cost of the Company'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 2016, other income amounted to RMB91.0 million, representing a decrease of RMB37.5 million from RMB128.5 million in 2015. The decrease in other income was attributable to the decrease in government grant, transportation fee income and interest income during 2016.

Other Gains and Losses

Other gains and losses mainly comprise net foreign exchange loss, allowance for doubtful debts, loss from changes in fair value of investment properties and impairment loss on property, plant and equipment. For 2016, other losses amounted to RMB104.6 million, representing a decrease of RMB315.0 million from the other losses of RMB419.6 million in 2015. The decrease in losses was principally attributable to the decrease in foreign exchange loss from US dollar-denominated bank borrowings.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2016, the distribution and selling expenses increased by approximately 4%, from RMB415.3 million in 2015 to RMB431.6 million in 2016. Such increase was mainly attributable to an increase in transportation cost of cement products during 2016.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses decreased by approximately 21%, from RMB322.5 million in 2015 to RMB254.8 million in 2016. The decrease was attributable to the Group using multiple measures to achieve cost-efficiency and less bonus was paid to the staff during 2016.

The 25% increase in finance costs was mainly due to the shifting to more RMB-denominated bank borrowings with higher interest rate from US dollar-denominated bank borrowings to reduce the foreign exchange risk during 2016.

Profit (Loss) before Tax

As a result of the foregoing factors, the profit before tax for 2016 increased by RMB577.6 million, constituting a profit of RMB330.3 million (2015: loss of RMB247.3 million).

Income Tax Expenses

In 2016, income tax expenses increased by RMB134.0 million, or approximately 295%, to RMB179.4 million from RMB45.4 million in 2015.

Non-controlling Interests

In 2016, non-controlling interests amounted to RMB17.4 million, representing an increase of RMB11.0 million, or approximately 172%, from RMB6.4 million in 2015 primarily due to an increase in profit contribution from Jiangxi Yadong.

Profit (Loss) for the Year

For 2016, the net profit of the Group amounted to RMB151.0 million, representing an increase of RMB443.7 million from the loss of RMB292.7 million in 2015.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2016. Total assets decreased by approximately 10% to RMB15,902.2 million (31 December 2015: approximately RMB17,627.2 million) while total equity increased by approximately 1% to RMB9,635.1 million (31 December 2015: approximately RMB9,570.9 million).

Restricted Bank Deposits, Bank Balances and Cash

As at 31 December 2016, the Group's restricted bank deposits, bank balances and cash amounted to approximately RMB568.3 million (31 December 2015: RMB1,138.7 million) of which approximately 98% was denominated in RMB and approximately 2% in United States dollars, with the remainder denominated in Hong Kong dollars and Singapore dollars.

Cash Flow

The Group derived 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 was 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 RMB1,249.4 million in 2015 to RMB1,665.7 million in 2016. This was mainly due to the increase in profit before tax.

The Group's cash inflow from investment activities primarily consisted of interest income and proceeds from disposal of property, plant and equipment. The Group's cash outflow from investment activities primarily consisted of purchases of property, plant and equipment, land use rights and quarry and purchase of held-to-maturity investments. In 2016, the net cash used in investment activities of the Group amounted to RMB173.1 million, representing a decrease of 53% from RMB370.7 million in 2015. The decrease in cash flow used in investment activities by RMB197.6 million was primarily attributable to less cash used for the purchase of fixed assets in 2016.

In 2016, the net cash used in financing activities of the Group amounted to RMB2,064 million. This was primarily due to repayment of borrowings in 2016.

Capital Expenditure

Capital expenditure for the year ended 31 December 2016 amounted to approximately RMB203.2 million and capital commitments as at 31 December 2016 amounted to approximately RMB526.4 million. Both the capital expenditure and capital commitments 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 2016 and 2015 are summarised below:

	As at 31 December			
	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Short-term borrowings	**1,928,934**	**37**	3,379,212	49
Long-term borrowings	**3,262,563**	**63**	3,565,860	51
Currency denomination				
– RMB	**5,191,497**	**100**	2,333,828	34
– US dollars	**–**	**–**	4,611,244	66
Borrowings				
– unsecured	**5,191,497**	**100**	6,945,072	100
Interest rate structure				
– variable-rate borrowings	**5,191,497**	**100**	6,945,072	100
Interest rate				
– variable-rate borrowings		**90% to 100% of Benchmark Rate or HIBOR plus margin of 0.8% to 1.25%**		90% to 100% of Benchmark Rate or LIBOR plus margin of 0.6%–2.6%

As at 31 December 2016, the Group had unutilised credit facilities in the amount of RMB4,929.0 million.

As at 31 December 2016, the Group's gearing ratio was approximately 39% (31 December 2015: 46%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2016 and 2015 respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as at 31 December 2016.

Contingent Liabilities

As at the date of this announcement and as at 31 December 2016, the Board is not aware of any material contingent liabilities.

Human Resources

As at 31 December 2016, the Group had 4,208 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 PRC and made contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerated 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 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 2016, 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

Save as disclosed in this announcement, the Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2016.

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 could 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 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

The Central Economic Work Conference convened in December 2016 had set the work guidance of "making progress while maintaining stability" for 2017. The PRC government will continue to adopt proactive and effective fiscal policy and prudent monetary policy in order to promote a stable and healthy economic development. 2017 is a crucial year for the nation's "13th Five-Year Plan". It is also a year for deepening supply-side structural reform, under which implementation of the excess capacity reduction policy in the cement industry will accelerate, efforts to address the issue of "zombie companies" will be stepped up, and green production will further be promoted. As a result, the industry's supply-side structure will continue to improve. According to the Digital Cement's forecast, cement market demand in 2017 will basically be the same or a bit lower than that of 2016, while cement prices will show signs of "stability with an upward trend". It is expected that the industry profitability will continue to grow.

In view of the abovementioned favourable factors, it is reasonable for the Group to have expectations for its performance in 2017. First, facing a complex domestic and international economic landscape in 2016, the nation's economy maintained a slow but stable growth, while showing positive signs, realising a good start for the "13th Five-Year Plan". Based on a preliminary estimate, the GDP growth rate for 2016 would be 6.7% year-on-year. It is expected that the GDP growth rate for 2017 will be around 6.5% to 6.7%, which is within a reasonable range. The economy will continue to maintain a steady growth. Infrastructure investment remains the key contributor to a steady economic growth, as well as a strong support for cement demand. In 2016, infrastructure investment grew at a relatively fast pace. It is expected that infrastructure investment will increase by about 20% in 2017, with high-speed growth in the western region. Second, with the optimization of the industry structure, the pressure of supply of new capacity will be eased. According to the No.34 document issued by the State Council, filing as well as construction of new and expansion of existing cement and clinker projects are prohibited until the end of 2020. The document also requested enterprises to voluntarily cease production of 32.5 grade cement products and focus on producing 42.5 grade or above cement products. The China Cement Association is currently stepping up its efforts to implement measures requested by the document. This will, to certain extent, alleviate the overcapacity problem in the cement industry and accelerate the phase-out of enterprises producing low grade cement products, which will benefit the Group as well as the industry as a whole. Third, mergers and acquisitions tend to be carried out among large and powerful companies. Although there were only five mergers and acquisitions in 2016, they were basically carried out among large enterprises. Of these mergers and acquisitions, half of them were carried out among companies within the top 10 largest enterprises by clinker capacity in 2015. This opportunity allowed the Group to be enlisted among China's top 10 largest enterprises by clinker capacity for the first time. Mergers and acquisitions as well as restructuring among large enterprises will also help raise the industry concentration level, and the competitive edges of large enterprises can help further stabilise market supply and price. Fourth, industry players are more ready to exercise self-discipline and coordinate with each other, resulting in a relatively stable price level within regions. Enterprises saw substantial improvement in their profitability from that of 2015. Fifth, entering the information age, advanced information technology has transformed the traditional cement industry in many ways, thereby streamlining work flow, reducing labour cost and increasing enterprises' efficiency. All in all, by seizing opportunities and responding to changes, 2017 is a year worth looking forward to.

In view of the aforesaid, the Group expects that the national cement demand in 2017 will be basically the same as in 2016. With the government's effort to deepen the supply-side structural reform, the gap between supply and demand will gradually be narrowed. Meanwhile, with the industry association playing a bigger role, the implementation of energy saving and emission reduction as well as off-peak season production, and the more positive competition and cooperation among large enterprises, the Group is optimistic and confident about the industry performance in 2017. In 2017, the Group plans to sell a total of over 31.62 million tonnes of cement products, representing an increase of 0.75 million tonnes or 2.4% from 30.87 million tonnes in 2016.

2017 is a crucial year of the nation's "13th Five-Year Plan"; it is also a year of deepening the supply-side structural reform. The Group will continue to embrace its corporate culture of "Integrity, Diligence, Austerity, Prudence and Innovation", abide by its operation principle of full disposal of all output, seize the opportunities arising from the current cement industry structural reform, actively advocate self-discipline and coordination among industry players, consolidate its current leading market positions in various regions, and fine-tune existing sales network. While working all-out to develop new target markets, the Group will also strive to enhance its operational efficiency, lower cost, accelerate staff training, optimize staff organisational structure, strengthen the control of energy saving and emission reduction, thus making the Group to be accountable to its staff, shareholders and society. This will not only help lift the Group's operation efficiency to a new level, but will also enable the Company to develop as an international enterprise with perception, rich in culture and committed to social responsibility. All in all, the future of the Group is promising.

OTHER INFORMATION

Final Dividend

In acknowledging the continuous support from the Group's shareholders, the Board recommends the payment of a final dividend of RMB3 cents per ordinary share in respect of the year ended 31 December 2016, subject to approval by shareholders at the forthcoming annual general meeting of the Company. The dividend will be payable on 23 June 2017 to shareholders whose names appear on the Register of Member of the Company on 8 June 2017.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 18 May 2017 to Friday, 26 May 2017, 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, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 17 May 2017.

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 Thursday, 8 June 2017 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, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 8 June 2017.

Corporate Governance

The Company has complied with all of the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2016, 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 action against its directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of actual litigation against the Directors is low. Nevertheless, the Board will review this arrangement from time to time in light of the prevailing circumstances and arrange for appropriate insurance coverage as soon as practicable.

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. Lee Kao-chao, an independent non-executive Director was unable to attend the annual general meeting and extraordinary general meeting of the Company held on 24 May 2016 due to his overseas commitments.

Audit Committee

The Company established the Audit Committee on 27 April 2008 with written terms of reference in compliance with the CG Code as set forth in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include the review of 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 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 2016, 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 (the "Model Code") 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 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 2016.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2016, 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 2016 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
Mr. HSU, Shu-tong
Chairman

Hong Kong, 22 March 2017

As at the date of this announcement, the executive Directors are Mr. CHANG Tsai-hsiung, Mr. HSU, Shu-ping, Dr. WU Chung-lih, Mr. CHANG Chen-kuen, Mr. LIN Seng-chang and Ms. WU Ling-ling, the non-executive Director and Chairman is Mr. HSU Shu-tong, the independent non-executive Directors are Mr. TSIM Tak-lung Dominic, Mr. LEE Kao-chao, Mr. WANG Wei and Dr. WANG Kuo-ming.