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## **Asia Cement (China) Holdings Corporation**

**亞洲水泥(中國)控股公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 743)**

### **ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

#### **SUMMARY**

The directors (“Directors”) of Asia Cement (China) Holdings Corporation (“the Company”) announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2019. This announcement is made as part of the Company’s practice to publish its financial results quarterly and pursuant to paragraph 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The unaudited consolidated profit attributable to owners for the three months ended 31 March 2019 was approximately RMB568.2 million.

The Directors of the Company are making this announcement of the Group’s unaudited consolidated results for the three months ended 31 March 2019 in line with its practice to publish the Group’s financial results quarterly and pursuant to paragraph 13.09 of the Listing Rules.

## CONDENSED CONSOLIDATED INCOME STATEMENT

	<b>For the three months ended</b>	
	<b>31 March</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b><i>(Unaudited)</i></b>	<i>(Unaudited)</i>
Revenue	<b>2,512,733</b>	1,949,003
Cost of sales	<b>(1,527,604)</b>	(1,310,128)
Gross profit	<b>985,129</b>	638,875
Other income	<b>47,766</b>	27,898
Other gains and losses	<b>(1,922)</b>	(4,087)
Distribution and selling expenses	<b>(98,811)</b>	(101,464)
Administrative expenses	<b>(111,610)</b>	(71,921)
Share of profits of joint ventures	<b>833</b>	1,027
Share of loss of an associate	<b>(650)</b>	(369)
Finance costs	<b>(67,245)</b>	(60,761)
Profit before tax	<b>753,490</b>	429,198
Income tax expenses	<b>(171,252)</b>	(110,196)
Profit for the period	<b>582,238</b>	319,002
Profit for the period attributable to:		
Owners of the Company	<b>568,201</b>	307,546
Non-controlling interests	<b>14,037</b>	11,456
	<b>582,238</b>	319,002
	<b><i>RMB</i></b>	<i>RMB</i>
Earnings per share:		
Basic	<b>0.363</b>	0.196

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at <b>31 March</b> <b>2019</b> <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2018 <i>RMB'000</i> <i>(Audited)</i>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	8,423,126	8,598,033
Quarry	161,624	163,974
Prepaid lease payments	–	701,095
Investment properties	89,730	89,730
Goodwill	554,241	554,241
Other intangible assets	3,598	3,991
Interest in joint ventures	49,878	49,045
Interest in an associate	515,915	16,565
Restricted bank deposits	1,423	1,421
Deferred tax assets	71,043	72,615
Long term prepaid rental	–	20,000
Right of use assets	851,594	–
	<b>10,722,172</b>	<b>10,270,710</b>
<b>CURRENT ASSETS</b>		
Inventories	699,063	726,239
Trade and other receivables	3,772,479	4,104,907
Prepaid lease payments	–	22,952
Loan to related companies	110,399	546,599
Amount due from an associate	10,911	11,257
Amount due from a joint venture	25,175	24,535
Restricted bank deposits	2,874	6,456
Bank balances and cash	5,527,339	5,008,691
	<b>10,148,240</b>	<b>10,451,636</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	863,987	988,260
Contracts liabilities	181,766	136,355
Amount due to joint ventures	22,483	15,350
Tax payables	230,363	439,830
Borrowings – due within one year	2,887,948	2,475,485
Lease liability – current	7,317	–
	<b>4,193,864</b>	<b>4,055,280</b>
<b>NET CURRENT ASSETS</b>	<b>5,954,376</b>	<b>6,396,356</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>16,676,548</b>	<b>16,667,066</b>

	<b>As at 31 March 2019 RMB'000 (Unaudited)</b>	<b>As at 31 December 2018 RMB'000 (Audited)</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings – due after one year	<b>3,486,424</b>	4,154,659
Lease liability – non-current	<b>107,363</b>	–
Deferred tax liabilities	<b>25,837</b>	38,783
Provision for environmental restoration	<b>32,340</b>	31,278
	<b>3,651,964</b>	4,224,720
<b>NET ASSETS</b>	<b>13,024,584</b>	12,442,346
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>140,390</b>	140,390
Reserves	<b>12,515,720</b>	11,947,519
Equity attributable to owners of the Company	<b>12,656,110</b>	12,087,909
Non-controlling interests	<b>368,474</b>	354,437
<b>TOTAL EQUITY</b>	<b>13,024,584</b>	12,442,346

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>For the three months ended 31 March</b>	
	<b>2019 RMB'000 (Unaudited)</b>	<b>2018 RMB'000 (Unaudited)</b>
Net cash from operating activities	<b>913,267</b>	353,863
Net cash from (used in) investing activities	<b>410,100</b>	(7,785)
Net cash used in financing activities	<b>(804,719)</b>	(170,576)
Net increase in cash and cash equivalents	<b>518,648</b>	175,502
Cash and cash equivalents at beginning of the year	<b>5,008,691</b>	940,247
Cash and cash equivalents at 31 March	<b>5,527,339</b>	1,115,749

The Group's unaudited consolidated results for the three months ended 31 March 2019 have been prepared in accordance with the same accounting policies adopted by the Group as disclosed in the last annual report for the year ended 31 December 2018.

The Directors do not recommend payment of a dividend in respect of the first three months of 2019 (2018: Nil).

## **Business Review and Prospects**

In the first quarter of 2019, China's economy witnessed steady development, with clear signs of a stable economic growth. However, the downward pressure had not reduced. Economic growth continued to be driven by supply-side structural reforms. Investments continued to pick up. Infrastructure investments and property sector remained the main support of the economy. The national GDP growth in the first quarter of 2019 was 6.4%, indicating a slowdown when compared with that of the same period of last year, but the economy continued to grow within a reasonable target range. In the first quarter, the fixed asset investment of the whole society increased by 6.3% year-on-year, and the growth of property development investment increased by 11.8% year-on-year.

In the first quarter of 2019, affected by factors such as the Spring Festival, environmental protection, weather and off-peak season production, the cement industry, nevertheless, achieved steady development, while production and efficiency sustained stable growth. In the first quarter of 2019, China's cement output was 390 million tonnes, an increase of 9.4% over the same period of 2018. Due to the sharp decline in clinker prices in the central and downstream Yangtze River regions in early January, coupled with weather conditions of mostly cloudy and frequent rains in January and February, cement market demand picked up slowly after the festive holiday; and inventory increased significantly. Cement price continued to decrease in January and February, with the average monthly decline being basically the same as that of the same period of 2018. However, due to a higher comparative figure, the price was still RMB20 to RMB30 per tonne higher than that of the same period of last year. In late March, market demand increased, leading to a gradual decrease in cement inventory, and the markets in the central and downstream Yangtze River regions began an upward trend. As at 10 April 2019, two rounds of price hike in cement had been completed in the central and downstream Yangtze River regions, with an accumulated increase of RMB40-50 per tonne. In Sichuan region, cement prices continued to be stable, and the upward trend will gradually be obvious in the second quarter.

While actively following the policies promulgated by the government and the industry's association, as well as the industry's consensus on self-discipline practice, the Group had also taken various measures to actively tap its potential to improve capacity utilisation. In the first quarter of 2019, the Group's cement and clinker sales volume reached 6.31 million tonnes, an increase of 8.4% or 0.49 million tonnes from 5.82 million tonnes in the same period of 2018. The Group had made a good start to this year's annual results, with increase in cement and clinker sales volume in the first quarter.

2019 is a crucial year for building a moderately well-off society and achieving the long-term development goals of the country. As the supply-side structural reform continues to deepen and the efforts in reform and opening up continue to increase, the government further steps up its efforts in shoring up the weaknesses. The cement industry is also facing the challenges and opportunities for further innovation and transformation, which are mainly reflected in the followings:

First, cement demand driver has shifted from real estate to infrastructure. 1. According to statistics, the number of projects that had been reviewed, approved or filed in the country increased by 15.5% year-on-year in 2018, providing a solid pool of projects for steady growth in investment in 2019. These projects included a number of rail transit construction plans, high-speed rail construction projects, as well as road, airport, water, energy, rural infrastructure, environment-related projects, involving investment scale that exceeded trillion yuan. 2. With the continuation of the urbanization process, the government gradually steps up efforts in the reform of household registration system, actively promoting the transfer of household registration of the agricultural population who has been displaced and is already employed in urban areas. The infrastructure projects and housing construction that support urbanization will drive stable demand for cement; support from real estate investment for cement demand remains promising.

Second, the cement industry's elimination of excess capacity, improvement in energy saving and environment protection, strengthening of self-discipline and off-peak season production provide strong support for the steady growth of economic benefits of the whole industry. On 9 April 2019, the "2019 China's Large Cement Enterprises Leadership Roundtable (C12+13 Summit)" held in Shanghai put forth the theme of "Eliminating excess capacity and backward capacity, promoting structural innovation and optimization, and maintaining stable growth and a market equilibrium". The conference pointed out that industry leaders should take the lead in eliminating their backward capacity and abolishing 32.5-grade cement to improve the overcapacity situation, so that cement prices can find support in the long run; they should also actively participate in the fight against air pollution, extensively implement off-peak season production and strengthen industry's self-discipline; the leading enterprises at the conference are prohibited from capacity replacement or sale and purchase between provinces, and they must replace an amount of existing capacity with a smaller amount of new capacity to ensure capacity reduction and structural optimisation. At the conference, the industry had reached a consensus on topics such as "identifying the major contradictions, making breakthrough and progress in eliminating backward capacity, and step by step promoting the innovation and upgrade of the second-generation technologies".

Third, the introduction of a series of policies on tax reduction and fee reduction this year will further reduce the tax burden of economic entities. 1. After the introduction of the inclusive tax cuts for small and micro enterprises at the beginning of the year, the manufacturing value-added tax rate will fall from 16% to 13% from 1 April 2019, and the value-added tax rate for transportation, construction and other industries will fall from 10% to 9%. 2. In the second quarter, the basic pension contribution rate of employers for urban workers will be reduced. In the next two years, the electricity tariff surcharge will be rectified and the tolls for bridge and road will be reduced. Various tax reduction and fee reduction measures will directly reduce corporations' core operating costs and enhance the overall efficiency of the industry.

The Group expects that in the second quarter, the cement market price is likely to continue to increase against the backdrop of increased construction of infrastructure projects and normalization of off-peak season production. The Group will strive to explore and tap potential to reduce costs, strengthen internal control management, and promote the improvement of information technology. The sales volume of the Group's cement and clinker in the first half of 2019 is expected to reach 15.0 million tonnes, an increase of 3.0% when compared with that of 2018. In view of the economic trend of China, the direction of reform and development, as well as industry market trend since the beginning of 2019, the management of the Group is confident in achieving and even exceeding its expected profit target.

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

Hong Kong, 29 April 2019

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