



## **Asia Cement (China) Holdings Corporation** **Record of Annual General Meeting in 2019**

Preface: The 2019 annual general meeting (the “AGM”) of Asia Cement (China) Holdings Corporation was held in Hong Kong on 23 May 2019. On 23 May 2019, the total number of the Company’s issued shares was 1,566,851,000, being the total number of shares entitling the holders to attend and vote for or against the resolutions at the AGM. There were no shareholders who were materially interested in any of the resolutions, and therefore none of the shareholders were required under the Listing Rules to abstain from voting in respect of the resolutions at the AGM. After the consideration by the AGM, more than 50% of the votes were cast in favour of each of the resolutions by way of poll. As such, all the resolutions and notice of AGM published on 2 April 2019 (thereafter revised on 3 May 2018) were duly passed.

The AGM of Asia Cement (China) Holdings Corporation were held at Room 1 & 2, 10/F, United Conference Centre, United Centre, 95 Queensway, Admiralty, Hong Kong on 23 May 2019 at 3:00 pm. Sitting at the head table were Mr. Hsu Shu-tong, Chairman, Mr. Hsu Shu-ping, Vice Chairman, Mr. Chang Tsai-hsiung, Executive Director and Mr. Tsim Tak-lung Dominic, INED. Also attended the meeting were: Mr. Lee Kao-chao, INED, Mr. Wang Wei, INED, Dr. Wang Kuo-ming, INED, Dr. Wu Chung-lih, Executive Director and Chief Executive Officer, Mr. Chang Chen-kuen, Executive Director, Mr. Lin Seng-chang, Executive Director and Ms. Wu Ling-ling, Executive Director. The meeting was chaired by Chairman Hsu. Before shareholders considered each of the resolutions put forth at the meetings, Chief Executive Officer Dr. Wu Chung-lih gave a presentation on the Company’s operating results in 2018, the forecast and outlook for 2019 to the shareholders and guests attending the meeting.

### **Speech of Dr. Wu Chung-lih:**

- In 2018, the Group produced 24.8 million tonnes of clinker, up by 3% from that of 2017, and sold 29.04 million tonnes of cement, up by 3% from that of 2017; including the sales of clinker and slag powder, the average sales volume exceeded 30 million tonnes each year. Due to the rise in the price of raw materials, the unit production cost of cement increased by 12%, from RMB185

per tonne to RMB207 per tonne. The Group's cement price increased by 40% per tonne, which was the main reason for the increase in 2018's profit from that of 2017.

- The Group's revenue for 2018 reached a historical high of over RMB10 billion, and significantly increased from that of 2017. The gross profit increased by 130%, with gross profit margin increasing to 38.7%. The net operating profit exceeded RMB3.6 billion with the net operating profit margin reaching 32%. The net profit after tax significantly increased to over RMB2.5 billion and the net profit margin (after tax) increased by 173%. Earnings per share increased by 302% from RMB0.384 in 2017 to RMB1.545.
- The Group ranked 8<sup>th</sup> in the 2018 listed China cement companies in terms of comprehensive strength by China Cement Association.
- The industry overview for the first quarter of 2019 is as follows:
  - ✓ IMF had lowered its forecast for global economic growth in 2019 to 3.3% and had raised China's expected economic growth for 2019 to 6.3%.
  - ✓ From January to March, the growth rate of fixed assets investment slightly increased to 6.3%, while the growth rate of infrastructure investment was 4.4%. It is expected that the infrastructure investment will rise steadily within the range of 5%-10% for the whole year.
  - ✓ From January to March, the output of cement was 392 million tonnes, representing a year-on-year increase of 9.4%. In March alone, there was a significant rise of 22.2% year-on-year, reversing the negative growth for the same period in the past two consecutive years.
  - ✓ Benefiting from high cement prices at the end of 2018, the price in the first quarter of 2019 increased by RMB45/tonne year-on-year. However, affected by the relatively high rainfall in this quarter, the price tended to soften.
  - ✓ The financial sector increased its support to the real economy and the scale of financing exceeded expectation. The macro economic outlook basically looks positive, while efforts to improve infrastructure increase, supporting the demand for cement.
  - ✓ Demand picked up, but market recovery in northern China was slow; the Yangtze River Delta was affected by the suspension of kilns to control production, thus initiating a pattern of price increase. It is expected that late-stage construction will resume, while inventory level is low. As such, the market is expected to continue to rise.

- ✓ In the second quarter, various regions planned to suspend kilns to control production, while the industry entered its peak season; the demand in the first half of 2019 is expected to be promising.
- Performance in the first quarter of 2019 in comparison with that of 2018 is as follows:
  - ✓ The output of clinker and sales volume of cement increased by 6% and 3% respectively. The production cost of cement per tonne slightly increased by 4%; the selling price of cement increased by RMB64/tonne year-on-year, resulting in increases in the revenue and the gross profit.
  - ✓ The gross profit margin increased to 39.2%, enabling the Group to gradually become one of the top-notch industry players. The net operating profit increased by 66% and the net profit margin reached 30.8%. The net profit after tax amounted to RMB580 million while the net profit margin (after tax) and EPS were 23.2% and RMB0.363.
- The cement market outlook for 2019:
  - ✓ Supply side: The control on production will continue, with improvement in supply-demand structure.
  - ✓ Demand side: The increase in investment on infrastructure will have positive impact on the demand.
  - ✓ The tax rate for the cement industry in 2019 will be decreased to 13%. The reduction in production cost will enhance enterprises' competitiveness in the market. It is expected that there will be a slight drop in the demand for cement in 2019, and the price of cement will fluctuate at high levels; as such, profit could remain at high levels.
  - ✓ China Top Cement Enterprises CEO Roundtable Meeting (C12+3 Summit) emphasized the leading role of large enterprises to strengthen coordination and self-discipline in the industry. It also promoted off-peak season production to maintain supply-demand balance so as to safeguard the interest of the industry.

**The resolutions approved at the Company's AGM in 2019:**

1. To receive and adopt the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors and the independent auditors for the year ended 31 December 2018.
2. To approve and declare a final dividend for the year ended 31 December 2018 of RMB0.62 per share.

3. To re-elect directors and to authorize the Board to determine their remuneration.
  - (i) To re-elect Mr. HSU Shu-ping as an executive Director
  - (ii) To re-elect Mr. CHANG Chen-kuen as an executive Director;
  - (iii) To re-elect Mr. HSU Shu-tong as a non-executive Director;
  - (iv) To re-elect Dr.ZWANG Kuo-ming as an independent non-executive Director.;
  - (v) To authorize the Board to determine their remuneration.
4. To re-appoint Deloitte Touche Tohmatsu as the Auditors and to authorise the Board to fix their remuneration.
5. To give a general mandate to the Directors to issue, allot and deal with additional shares of the Company not exceeding 20% of the total number of issued shares of the Company as at the date of passing of this resolution.
6. To give a general mandate to the Directors to repurchase shares of the Company not exceeding 10% of the total number of issued shares of the Company.
7. To extend the general mandate granted to the Directors to issue, allot and deal with additional shares in the capital of the Company by the aggregate number of the shares repurchased by the Company pursuant to the mandate by resolution no. 6.
8. To approve and adopt the 2019 Amended and Restated Operational Procedures for Acquisition and Disposal of Assets.