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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 NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 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 nine months ended 30 September 2019 was approximately RMB2,240.3 million.

The Directors of the Company are making this announcement of the Group’s unaudited consolidated results for the nine months ended 30 September 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

	For the nine months ended	
	30 September	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	9,182,320	7,889,189
Cost of sales	(5,280,605)	(4,938,242)
Gross profit	3,901,715	2,950,947
Other income	164,272	81,993
Other gains and losses	(83,917)	(89,640)
Distribution and selling expenses	(329,683)	(328,244)
Administrative expenses	(335,984)	(217,339)
Share of profits of joint ventures	6,524	6,293
Share of loss of an associate	(2,021)	(111)
Finance costs	(210,510)	(173,481)
Profit before tax	3,110,396	2,230,418
Income tax expenses	(813,779)	(578,074)
Profit for the period	2,296,617	1,652,344
Profit for the period attributable to:		
Owners of the Company	2,240,317	1,598,480
Non-controlling interests	56,300	53,864
	2,296,617	1,652,344
	RMB	RMB
Earnings per share:		
Basic	1.430	1.020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2019 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2018 <i>RMB'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS		
Property, plant and equipment	8,101,020	8,598,033
Quarry	163,461	163,974
Prepaid lease payments	–	701,095
Investment properties	89,730	89,730
Goodwill	554,241	554,241
Other intangible assets	3,551	3,991
Interest in joint ventures	53,436	49,045
Interest in an associate	514,544	16,565
Restricted bank deposits	2,725	1,421
Deferred tax assets	86,604	72,615
Long term prepaid rental	–	20,000
Right of use assets	842,598	–
	10,411,910	10,270,710
CURRENT ASSETS		
Inventories	729,138	726,239
Trade and other receivables	3,955,017	4,104,907
Prepaid lease payments	–	22,952
Loan to related companies	110,400	546,599
Amount due from an associate	15,927	11,257
Amount due from a joint venture	10,012	24,535
Restricted bank deposits	8,951	6,456
Bank balances and cash	7,575,217	5,008,691
	12,404,662	10,451,636
CURRENT LIABILITIES		
Trade and other payables	969,491	988,260
Contracts liabilities	290,222	136,355
Amount due to joint ventures	28,612	15,350
Tax payables	266,453	439,830
Borrowings – due within one year	5,057,795	2,475,485
Lease liability – current	7,134	–
	6,619,707	4,055,280
NET CURRENT ASSETS	5,784,955	6,396,356
TOTAL ASSETS LESS CURRENT LIABILITIES	16,196,865	16,667,066

	As at 30 September 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Borrowings – due after one year	2,285,056	4,154,659
Lease liability – non-current	109,642	–
Deferred tax liabilities	57,951	38,783
Provision for environmental restoration	34,701	31,278
	<u>2,487,350</u>	<u>4,224,720</u>
NET ASSETS	<u>13,709,515</u>	<u>12,442,346</u>
CAPITAL AND RESERVES		
Share capital	140,390	140,390
Reserves	13,216,388	11,947,519
	<u>13,356,778</u>	<u>12,087,909</u>
Equity attributable to owners of the Company	13,356,778	12,087,909
Non-controlling interests	352,737	354,437
	<u>13,709,515</u>	<u>12,442,346</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the nine months ended 30 September	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Net cash from operating activities	3,335,517	1,533,386
Net cash used in investing activities	(241,742)	(9,401)
Net cash from (used in) financing activities	(527,249)	824,654
	<u>2,566,526</u>	<u>2,348,639</u>
Net increase in cash and cash equivalents	2,566,526	2,348,639
Cash and cash equivalents at beginning of the year	5,008,691	940,247
	<u>7,575,217</u>	<u>3,288,886</u>
Cash and cash equivalents at 30 September	<u>7,575,217</u>	<u>3,288,886</u>

The Group's unaudited consolidated results for the nine months ended 30 September 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 nine months of 2019 (2018: Nil).

Business Review and Prospects

In the third quarter of 2019, with rising uncertainties in the international economic and financial environment, the global economic growth had slowed down. However, China's economic development displayed great resilience and much room for manoeuvre. The positive long-term development trend remained unchanged. The national economic development remained stable while making progress. The main economic indicators remained within a reasonable range, with continued improvement in economic structure and increase in favourable factors for high-quality development.

From January to September 2019, the national fixed assets investment increased by 5.4% year-on-year, which was basically the same as that of the same period last year; the national infrastructure investment increased by 4.5% year-on-year, representing an increase of 1.2 percentage points over the same period last year; the property development investment in China increased by 10.5% year-on-year, representing an increase of 0.6 percentage points over the same period last year; the national cement production volume amounted to 1.69 billion tonnes, representing a 6.9% year-on-year increase, representing an increase of 5.9 percentage points over the same period last year.

The central and downstream region of the Yangtze River and the Sichuan province are the two major markets in which the Group operates. The situation of the two markets in the third quarter of 2019 is as follows:

- A. In July, due to continuous high temperature in the central and downstream region of the Yangtze River, there had been lack of work commencing at construction sites. Environmental protection departments punished illegal sand and gravel factories, resulting in tight supply of sand and gravel in the central and downstream region, which in turn increased demand sluggishness and caused enterprises' inventories to rise. As a result, market prices gradually declined. In September, the market demand made a sharp rebound. Cement price showed a strong growth momentum after three upward adjustments and reached a level basically same as that of the corresponding period of last year. Market demand is expected to remain stable in the fourth quarter, while cement price is expected to stay at high levels. The Military World Games will be held in Wuhan in October, during which cement enterprises in the surrounding areas will carry out off-peak season production, and supply in eastern Hubei will be tightened.

- B. In Sichuan, the price of bulk cement had remained stable due to the strict implementation of off-peak season production. Influenced by the import of low-priced bagged cement from Gansu and Guizhou, the price of bagged cement in Deyang and Jianyang in the outer areas dropped in July. It is expected that when the peak season in the fourth quarter arrives, the sales of cement from other provinces will shrink and the price of bagged cement in local areas will stabilize and rise.

From January to September 2019, the sales volume of cement products of the Group amounted to 22.9 million tonnes, which was basically the same as that of the same period last year. The Group generated a net profit of RMB2.30 billion, representing a significant year-on-year increase of 39% (unaudited).

Looking into the fourth quarter, the Group is optimistic about the prospects of the cement industry, which can be mainly reflected in the followings:

1. In terms of demand, as the Sino-US trade war continues, the focus of China's economic growth has shifted to the domestic market, and infrastructure investment plays an even more important role in economic growth, with increased investment in infrastructure to shore up economic weakness/increased efforts to shore up weakness in infrastructure. In the first half of the year, fixed assets investment in railway systems across China amounted to RMB322 billion, while in the second half, further investments of RMB478 billion will be made (source: China State Railway Group), showing a high investment level at the start of the year that will continue to rise. Recently, the National Development and Reform Commission initiated the "14th Five-Year Plan" for transportation in advance and the State Council issued the "Outline for the construction of a strong transportation network", which are conducive to the building materials industry and effectively stimulates cement consumption. The demand for cement will remain strong in the future.
2. In terms of supply, with winter approaching, the off-peak season production of cement industry will enter the peak period, and the rectification efforts in relation to environmental protection will continue to increase. The supply of cement will be further suppressed, which will provide strong support for keeping cement price at high levels.
3. Since 1 October, PC32.5 cement has been removed from the national standard. The industry launched cement such as M32.5, PP32.5 and PF32.5 as alternative products, which rendered the policy less effective than expected. However, bulk cement and high standard cement are still the main trend in industry development, and the proportion of high standard cement will continue to increase.

All in all, the Group believes that cement demand will remain stable in the fourth quarter; it is expected that the sales volume of cement products will amount to 30.9 million tonnes for the full year of 2019, which is basically the same as that of last year. Benefiting from the market in equilibrium and price staying at high levels throughout the year, the Group is very optimistic about its overall profitability for the full year. In the future, we will continue to enhance efficiency, improve services, optimize management, fine-tune incentives, and strive to achieve better performance on the 70th anniversary of the Group.

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

Hong Kong, 28 October 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.