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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 11% to RMB12,608.7 million (2018: approximately RMB11,330.3 million).
- Profit attributable to owners of the Company was RMB3,147.3 million (2018: Profit attributable to owners of the Company approximately RMB2,420.8 million).
- Basic earnings per share amounted to RMB2.009 (2018: Basic earnings per share RMB1.545).
- The Board proposed a final dividend of RMB50 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 2019, together with the comparative figures for 2018 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019

	NOTES	**2019** *RMB'000*	2018 *RMB'000*
Revenue	*3*	**12,608,716**	11,330,347
Cost of sales		**(7,289,590)**	(6,943,932)
Gross profit		**5,319,126**	4,386,415
Other income	*4*	**238,252**	170,675
Other gains and losses	*5*	**(23,302)**	(10,028)
Impairment loss recognised on goodwill		**–**	(138,759)
Allowance for credit losses on trade receivables, net		**(45,058)**	(26,243)
Distribution and selling expenses		**(447,454)**	(445,879)
Administrative expenses		**(428,509)**	(316,471)
Finance costs		**(267,721)**	(244,450)
Share of profit of joint ventures		**9,579**	6,800
Share of (loss) profit of associates		**(4,833)**	1,090
Profit before tax		**4,350,080**	3,383,150
Income tax expense	*6*	**(1,119,984)**	(882,360)
Profit and total comprehensive income for the year	*7*	**3,230,096**	2,500,790
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**3,147,340**	2,420,839
Non-controlling interests		**82,756**	79,951
		3,230,096	2,500,790
		RMB	*RMB*
Earnings per share			
Basic	*9*	**2.009**	1.545

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**8,077,172**	8,598,033
Quarry		**964,761**	163,974
Prepaid lease payments		**–**	701,095
Investment properties		**82,420**	89,730
Goodwill		**554,241**	554,241
Intangible assets		**3,571**	3,991
Interests in joint ventures		**56,491**	49,045
Interests in associates		**725,122**	16,565
Restricted bank deposits		**–**	1,421
Deferred tax assets		**82,222**	72,615
Long term prepaid rental		**–**	20,000
Right-of-use assets		**819,682**	–
		11,365,682	10,270,710
CURRENT ASSETS			
Inventories	*10*	**674,380**	726,239
Trade and other receivables	*11*	**3,962,640**	4,104,907
Prepaid lease payments		**–**	22,952
Loans to related companies		**–**	546,599
Amount due from an associate		**15,959**	11,257
Amount due from a joint venture		**10,014**	24,535
Restricted bank deposits		**14,503**	6,456
Bank balances and cash		**7,942,576**	5,008,691
		12,620,072	10,451,636
CURRENT LIABILITIES			
Trade and other payables	*12*	**2,174,123**	988,260
Contract liabilities		**185,525**	136,355
Amounts due to joint ventures		**5,563**	15,350
Tax payables		**555,414**	439,830
Borrowings – due within one year		**4,770,215**	2,475,485
Lease liabilities		**4,512**	–
		7,695,352	4,055,280
NET CURRENT ASSETS		**4,924,720**	6,396,356
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,290,402**	16,667,066

	NOTES	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Borrowings – due after one year		**1,444,094**	4,154,659
Deferred tax liabilities		**70,555**	38,783
Provision for environmental restoration		**36,734**	31,278
Lease liabilities		**96,025**	–
		1,647,408	4,224,720
NET ASSETS		**14,642,994**	12,442,346
CAPITAL AND RESERVES			
Share capital	*13*	**140,390**	140,390
Reserves		**14,123,411**	11,947,519
Equity attributable to owners of the Company		**14,263,801**	12,087,909
Non-controlling interests		**379,193**	354,437
TOTAL EQUITY		**14,642,994**	12,442,346

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. GENERAL

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. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and Amendments to IFRSs that are mandatorily effective for the current year

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 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to IFRS Standards 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 amendments to IFRSs issued but not yet effective

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

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
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 1	Classification of Liabilities as Current and Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The Directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2019	2018
	RMB'000	*RMB'000*
At a point in time recognition:		
– Sales of cement products and related products	**11,796,770**	10,737,644
– Sales of concrete	**811,946**	592,703
	12,608,716	11,330,347

(ii) Performance obligations for contracts with customers

Sales of cement products and related products and concrete (revenue recognised at one point in time)

The Group sells cement products and related products and concrete directly to customers (including distributors).

Revenue is recognised when control of the goods has run transferred, upon the goods have been transferred out from the Group's warehouse (delivery). Following the delivery, the customers and distributors have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when selling the goods and bear the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 180 days for cement customers and 180 to 365 days for concrete customers upon delivery.

Under the Group's standard contract terms, customers have a right to exchange for unqualified products within 30 days. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet been recognised. The Group's right to recover the product when customers exercise their right is recognised as a right to returned goods asset and a corresponding adjustment to cost of sales.

4. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Government grant income	**48,967**	94,617
Interest income on bank deposits	**162,183**	37,905
Sales of scrap materials	**21,831**	22,431
Transportation fee income	**2,155**	7,652
Rental income, net of outgoings *(note)*	**2,330**	6,476
Interest income on advance to a joint venture	**786**	1,594
	238,252	170,675

Note: The direct operating expenses incurred for generating rental income amounted to approximately RMB1,425,000 (2018: RMB4,230,000).

5. OTHER GAINS AND LOSSES

	2019	2018
	RMB'000	*RMB'000*
Exchange (loss) gain, net	**(10,082)**	761
Loss on disposal/write-off of property, plant and equipment	**(11,420)**	(9,761)
Gain on disposal of a subsidiary	**–**	9,051
Impairment loss on property, plant and equipment	**–**	(11,417)
(Loss) gain on fair value change on investment properties	**(7,310)**	1,338
Recovery of bad debt previously written off	**5,510**	–
	(23,302)	(10,028)

6. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
Current tax:		
– PRC enterprise income tax ("EIT")	**1,015,384**	851,429
Withholding tax paid	**79,659**	31,522
Underprovision in prior years in respect of PRC EIT	**2,776**	1,403
Deferred tax	**22,165**	(1,994)
	1,119,984	882,360

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% (2018: 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. were granted a tax concession to pay corporate income tax at a preferential rate of 15% (2018: 15%) in 2019.

7. PROFIT FOR THE YEAR

	2019	2018
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	**784,281**	807,447
– Quarry	**285,359**	37,762
– Prepaid lease payments	**–**	24,722
– Intangible assets	**1,362**	1,488
– Right-of-use assets	**35,301**	–
Total depreciation and amortisation	**1,106,303**	871,419
Less: Capitalised in inventories	**(787,789)**	(822,755)
	318,514	48,664
Staff costs, including Directors' remuneration		
Salaries and other benefits	**570,748**	437,613
Retirement benefits scheme contributions	**28,810**	29,930
Total staff costs	**599,558**	467,543
Less: Capitalised in inventories	**(429,470)**	(344,260)
	170,088	123,283
Auditors' remuneration	**5,564**	4,844
Cost of inventories recognised as expenses (including the provision of environmental restoration of RMB5,456,000 (2018: RMB4,508,000))	**7,289,590**	6,943,932
Rental payments under operating leases	**33,748**	40,448

8. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distributions during the year:		
2018 Final, paid – RMB62 cents (2018: 2017 final dividend RMB15.5 cents) per share	**971,448**	242,862

A final dividend for the year ended 31 December 2019 of RMB50 cents per share (2018: RMB62 cents per share) amounting to approximately RMB783,426,000 (2018: RMB971,448,000) has been proposed by the Board of Directors of the Company 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 general meeting.

9. EARNINGS PER SHARE

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

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**3,147,340**	2,420,839
	'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 earnings per share is presented as the Company did not have any dilutive shares in issue during both years.

10. INVENTORIES

	2019	2018
	RMB'000	*RMB'000*
Spare parts and ancillary materials	**213,591**	295,296
Raw materials	**264,050**	222,854
Work in progress	**81,192**	102,930
Finished goods	**115,547**	105,159
	674,380	726,239

11. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**1,337,905**	1,273,519
Less: Allowance for credit losses	**(232,032)**	(188,417)
	1,105,873	1,085,102
Bills receivable	**2,369,794**	2,638,644
Other receivables	**58,483**	65,460
Advances to suppliers	**382,985**	260,330
Deposits	**16,136**	18,236
Prepayments	**3,118**	2,748
Value-added tax recoverable	**26,251**	34,387
	3,962,640	4,104,907

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 aged analysis of trade receivables net of allowance for credit losses presented based on the invoice dates:

	Cements		**Concrete**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
0–90 days	**387,161**	413,459	**175,349**	180,346	**562,510**	593,805
91–180 days	**126,584**	135,626	**143,371**	107,908	**269,955**	243,534
181–365 days	**3,985**	4,256	**140,137**	84,724	**144,122**	88,980
Over 365 days	**53,025**	89,209	**76,261**	69,574	**129,286**	158,783
	570,755	642,550	**535,118**	442,552	**1,105,873**	1,085,102

The following is an aged analysis of bills receivable (trade-related) presented based on the dates of bills issued by the customers:

	Cements		**Concrete**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
0–90 days	**1,156,522**	1,688,341	**8,191**	4,793	**1,164,713**	1,693,134
91–180 days	**1,190,216**	936,428	**2,000**	3,332	**1,192,216**	939,760
181–365 days	**12,865**	5,750	**–**	–	**12,865**	5,750
	2,359,603	2,630,519	**10,191**	8,125	**2,369,794**	2,638,644

12. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**412,453**	392,771
Accruals	**149,654**	147,326
Mine reserve fund payable	**1,075,031**	–
Staff wages and welfare payable	**141,970**	81,121
Value added tax payable	**156,025**	157,644
Construction cost payable	**68,839**	16,026
Other taxes payable	**21,224**	19,056
Consideration payable for acquisition of a subsidiary in 2014	**72,738**	72,738
Other payables	**76,189**	101,578
	2,174,123	988,260

The following is an aged analysis of trade payables presented based on the invoice dates:

	2019	2018
	RMB'000	*RMB'000*
0–90 days	**375,252**	361,572
91–180 days	**15,900**	11,431
181–365 days	**10,911**	3,909
Over 365 days	**10,390**	15,859
	412,453	392,771

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 consolidated financial statements as *RMB'000*
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	1,566,851,000	156,685	140,390

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

(1) Macro perspectives of China and the industry:

In 2019, the overall national economy continued to remain stable while making progress, with steady increase in growth quality and key goals achieved with expected outcome. The annual GDP growth rate was 6.1%, dropping by 0.5 percentage point from that of 2018, but was within the target of 6.0%~6.5%. The central government ensured stable economic development by launching a series of measures for steady economic growth. Infrastructure investments sustained low but steady growth, as stimulus measures to boost infrastructure projects continued. Despite the government's determination to execute austerity measures on the property market, property development showed relatively strong resilience and investment growth continued to grow rapidly. The property sector played a yet more crucial role in supporting the positive trend for cement demand throughout the year. In 2019, China's fixed asset investment growth reached 5.4%, which was 0.5 percentage point lower than that of 2018. The national infrastructure investment growth was 3.8%, same as that of 2018, while the national property development investment growth increased by 0.4 percentage point from that of 2018 to 9.9%.

Slowdown in national fixed asset investment growth and rise in property development investment growth was a trend that continued into 2019 from 2018. As a result, the overall cement demand remained stable. Despite the execution of off-peak season production in the industry, the progress of capacity elimination was still slow. The national cement output in 2019 reached 2.33 billion tonnes, representing a 6.1% increase from that of 2018. Cement price, in general, continued to hover at high levels. In the first quarter, cement price began at high levels, and then declined, while demand rapidly rose after the weather turned warm. In July and August, affected by persistent hot weather and industry's high inventory level, cement price slightly decreased. After September, cement price continued to rally. The rise in both quantity and price of cement, coupled with State Council's series of measures to reduce tax and lower fee to support the real economic development helped significantly boost the cement industry's profits. Statistics showed that the industry profits in 2019 amounted to RMB186.7 billion, representing 19.6% year on year growth, reaching a historic high.

In 2019, 16 new cement and clinker production lines commenced operation in China, an increase of 2 production lines when compared to that of 2018. The aggregate clinker designed capacity from these newly operated production lines for the year amounted to 23.72 million tonnes, representing an increase of 3.29 million tonnes from that of 2018. Meanwhile, during the execution of the capacity swap policy, there lurked the issue of replacement of zombie capacity and loss-making capacity with new projects, resulting in the slow pace of capacity elimination. Excess cross-province capacity swaps might lead to rapid growth in supply in certain regions in future, causing great instability in subsequent market operations. The industry as a whole was still facing severe excess supply, with ferocious peer competition. In view of the supply side, the market outlook was not optimistic.

(2) Overview of the Group's business:

To the Group, 2019 was a year of active promotion of reform and innovation, as well as making progress and improvement. The Group pushed forward with a number of innovative projects, strengthened internal management, fully utilized informative tools, optimised sales structure, and fine-tuned incentive mechanism, which effectively enhanced the Group's overall competitiveness. The major points are summarised as follows:

First, the Group strove to highly integrate advanced production technology, informative tools and production and sales, to enhance efficiency. On the aspect of production, the Group continued to promote the concepts of ultra-low power consumption and ultra-low emission. The Group also kept on pushing forward with new equipment and production technology modification and replacement, including desulfurisation, denitration, and dust collection. The Group not only lowered power consumption and optimised resources allocation, but also lifted productivity and product quality. With respect to sales, the Group's customer APP was officially launched in 2019, adding artificial intelligence features to its business operations and increasing their efficiency. The APP also significantly improved delivery efficiency and enhanced the quality of service to customers.

Second, the Group amended performance cash awards procedure for sales staff of the cement and ready-mixed concrete businesses in 2019, shifting the focus of sales strategy from sales proceeds/turnover to net profit, thus encouraging sales staff to generate higher net profits for the Group. In addition, the Group explored market potential and refined customer review system by using the enormous data collected from customers in various regions as the basis for analysis. While contracting, combining or cutting sales in low net profit-making regions, the Group strengthened and enlarged the market share of core sales areas, optimised sales structure, and promoted the development of a more scientific and efficient customer management system.

Third, the Group attached great importance to high calibre talent pool and grooming talent, who will provide a solid foundation for the Company's future development. In 2019, to accelerate the fostering of talent at the grassroots level and middle-level management, the Group continued to conduct training courses, including QCC advanced training, second generation high calibre employees training, and middle-level management MTP training. Moreover, the Group also increased the size of training classes and the number of training courses. The Group was thus establishing a rational talent echelon, while possessing sufficient professional candidates at its disposal.

In 2019, the production and sale of the Group's cement products remained stable while making progress. With respect to production, the Group's clinker output reached 24.84 million tonnes, the same as that of 2018 . On the aspect of sales, the total sales volume of the Group's cement products (clinker + cement) amounted to 30.47 million tonnes, which was the same as that of 2018. Benefiting from the supply-side reform in full swing and continued deepening of environmental control, the selling price in the Group's major sales markets rose. The Group's overall profitability in 2019 had significantly increased from that of 2018.

Table 1: Total sales Volume (Unit: ’000 tonnes)

	2019	2018	Change *(%)*
Cement	**28,652**	29,039	(1.3)
Clinker	**1,816**	1,537	18.2
Blast-furnace slag powder	**365**	376	(2.9)
	30,833	30,952	(0.4)

Table 2: Sales volume of cement by region (Unit: ’000 tonnes)

	2019	2018	Change *(%)*
Southeastern region	**13,643**	13,519	0.9
Central region	**6,160**	6,512	(5.4)
Southwestern region	**8,849**	9,008	(1.8)
	28,652	29,039	(1.3)

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

	2019		2018	
	Sales volume	**Percentage** *(%)*	Sales volume	Percentage *(%)*
High grade cement	**26,708**	**93**	25,681	88
Low grade cement	**1,944**	**7**	3,358	12
	28,652	**100**	29,039	100

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

	2019		2018	
	Sales volume	**Percentage** *(%)*	Sales volume	Percentage *(%)*
Bulk cement	**25,032**	**87**	24,323	84
Bagged cement	**3,620**	**13**	4,716	16
	28,652	**100**	29,039	100

Table 5: The Group's market share

	2019	2018
Jiujiang	**36%**	37%
Nanchang	**25%**	28%
Wuhan	**23%**	24%
Chengdu	**42%**	41%
Yangzhou	**22%**	24%

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 2019, the Group's revenue amounted to RMB12,608.7 million, representing an increase of RMB1,278.4 million or 11% from RMB11,330.3 million in 2018. The increase in revenue was mainly attributable to the increase in the average selling price of the Group's products during 2019.

	2019 *RMB'000*	*%*	2018 *RMB'000*	*%*
Southeastern region	**6,126,007**	**49**	5,537,596	49
Central region	**2,476,297**	**20**	2,466,454	22
Southwestern region	**4,006,412**	**31**	3,326,297	29
	12,608,716	**100**	11,330,347	100

In respect of revenue contribution for 2019, sales of cement accounted for 86% (2018: 88%) and sales of concrete accounted for 6% (2018: 5%). The table below is a sales analysis by product for the reporting period:

	2019 *RMB'000*	*%*	2018 *RMB'000*	*%*
Cement	**10,887,452**	**86**	9,926,311	88
Clinker	**582,463**	**5**	501,518	4
RMC	**811,946**	**6**	592,703	5
Blast-furnace slag powder	**113,250**	**1**	110,022	1
Others	**213,605**	**2**	199,793	2
	12,608,716	**100**	11,330,347	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 2019, the Group's cost of sales increased by approximately 5% to RMB7,289.6 million from RMB6,943.9 million in 2018 due to the increase in the rising cost of raw materials used for manufacturing cement products.

The gross profit for 2019 was RMB5,319.1 million (2018: RMB4,386.4 million), with a gross profit margin of 42% (2018: 39%). The increase in gross profit was mainly attributable to the increase in the average selling price of the Group'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 2019, other income amounted to RMB238.3 million, representing an increase of RMB67.6 million from RMB170.7 million in 2018. The increase in other income was attributable to the increase in interest income.

Other Gains and Losses

Other gains and losses mainly comprise net foreign exchange gain or loss, decrease or increase in fair value of investment properties, impairment loss on property, plant and equipment and loss on disposal/write-off of property, plant and equipment. For 2019, other losses amounted to RMB23.3 million, representing an increase of RMB13.3 million from other losses of RMB10.0 million in 2018. The increase in other losses was principally attributable to exchange loss, the decrease in gain on disposal of a subsidiary, the decrease in fair value of investment properties and the decrease in impairment loss on property, plant and equipment.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2019, the distribution and selling expenses increased by approximately flat, from RMB445.9 million in 2018 to RMB447.5 million in 2019. Mainly attributable to an increase in transportation staff costs, and a decrease in material consumed, commission of cement products and other expenses during 2019.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses, increased by approximately 35%, from RMB316.5 million in 2018 to RMB428.5 million in 2019. The increase was attributable to an increase in staff costs, repairment and other general expenses, which led to other general expenses during 2019.

The 10% increase in finance costs was mainly due to the increase of high days of bank borrowing compared to 2018.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2019 increased by RMB966.9 million, constituting a profit of RMB4,350.1 million (2018: profit of RMB3,383.2 million).

Income Tax Expense

In 2019, income tax expense increased by RMB237.6 million or approximately 27% to RMB1,120.0 million, from RMB882.4 million in 2018.

Non-controlling Interests

In 2019, non-controlling interests amounted to RMB82.8 million, representing an increase of RMB2.8 million or approximately 4% compared with RMB80.0 million in 2018, primarily due to an increase in profit contribution from Jiangxi Yadong.

Profit for the Year

For 2019, the net profit of the Group amounted to RMB3,230.1 million, representing an increase of RMB729.3 million from the profit of RMB2,500.8 million in 2018.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2019. Total assets increased by approximately 16% to RMB23,985.8 million (31 December 2018: approximately RMB20,722.3 million), while total equity increased by approximately 12% to RMB14,643.0 million (31 December 2018: approximately RMB12,442.3 million).

Restricted Bank Deposits, Bank Balances and Cash

As at 31 December 2019, the Group's restricted bank deposits, bank balances and cash amounted to approximately RMB7,957.1 million (31 December 2018: RMB5,016.6 million), of which approximately 46% was denominated in RMB and approximately 54% in US 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 and staff salaries. Cash generated from operating activities increased from RMB2,907.9 million in 2018 to RMB4,883.3 million in 2019.

The Group's cash inflow from investment activities primarily consisted of interest income repayment from related companies and proceeds from disposal of property, plant and equipment. The Group's cash outflow from investing activities primarily consisted of investment in an associate, loans to related companies, purchases of property, plant and equipment and purchases of land use rights. In 2019, the net cash used in investment activities of the Group amounted to RMB216.6 million, representing an increase from RMB71.2 million in 2018.

In 2019, the net cash used in financing activities of the Group amounted to RMB1,732.8 million. This was primarily due to repayments of bank borrowings and dividends paid in 2019.

Capital Expenditure

Capital expenditure for the year ended 31 December 2019 amounted to approximately RMB293.2 million, and capital commitments as at 31 December 2019 amounted to approximately RMB36.1 million. Both capital expenditure and capital commitments were mainly related to the purchases of plant and equipment for new production lines. The Group anticipates that such commitments will be funded by future operating revenue, bank borrowings and other sources of finance as appropriate.

Borrowings

The Group's borrowings as at 31 December 2019 and 2018 are summarized below:

	As at 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Short-term borrowings	**4,770,215**	**77**	2,475,485	37
Long-term borrowings	**1,444,094**	**23**	4,154,659	63
Currency denomination				
– RMB	**1,940,000**	**31**	3,606,904	54
– US dollars	**4,274,309**	**69**	3,023,240	46
Borrowings				
– unsecured	**6,214,309**	**100**	6,630,144	100
Interest rate				
– fixed-rate RMB bank borrowings	**1,940,000**	**3.60% to 3.85%**	129,550	3.92% to 4.35%
– fixed-rate USD bank borrowings	**3,778,999**	**2.49% to 3.73%**	–	N/A
– variable-rate RMB bank borrowings	**–**	**–**	3,477,354	90% to 100% of Benchmark Rate or HIBOR plus margin of 0.70% to 1.10%
– variable-rate USD bank borrowings	**495,310**	**LIBOR plus margin of 1% or TAIFX3 plus margin of 0.6%**	3,023,240	LIBOR plus margin of 0.70% to 1.35%

As at 31 December 2019, the Group had unutilized credit facilities in the amount of RMB8,068.9 million.

As at 31 December 2019, the Group's gearing ratio was approximately 39% (31 December 2018: 40%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2019 and 2018, respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as at 31 December 2019.

Contingent Liabilities

As at the date of this report and as at 31 December 2019, the Board is not aware of any material contingent liabilities.

Human Resources

As at 31 December 2019, the Group had 3,900 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing provident fund scheme according to the applicable PRC laws and regulations 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 based on their work performance and experience. 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 according to their past and potential contribution to the growth of the Group. As at 31 December 2019, no share options were 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 report, the Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2019.

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 may 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 foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

2. BUSINESS PROSPECTS

(1) Industry Challenges

The cement industry will face growing uncertainty in 2020. The major unfavourable factors are as follows:

First, affected by the novel coronavirus epidemic in early 2020, the downstream construction sector had stopped its activities in most of the regions as at mid-February. Although the approval process for resumption of key projects in various regions has been accelerated, the downstream demand will still be gradually recovering before the second quarter, and in the short term, such demand will not be released all at once. At the same time, some cement enterprises maintained normal operation during the Spring Festival, which heightened the problem of high inventory after the Spring Festival when compared with that of previous years. Moreover, it will be difficult to find a solution to such a problem in the short term, which might give a gloomy start for the cement industry in 2020.

Second, with respect to the property market, the central government explicitly expressed that it will not use property as a short-term measure to stimulate the economy. Property regulatory measures are mainly aimed at achieving stability. The growth rate of property investment may decline, but its resilience remains relatively strong. The infrastructure construction and property sectors will continue to provide strong support to drive cement demand. In view of the risk factors including continuous decline in the growth rate of fixed asset investment, increasing pressure on local governments to repay debts, insufficient funds for key projects, the continuous cooling in land purchase, it is likely that cement demand may slightly decline year-on-year.

Third, increasing clinker imports continue to affect the domestic market. China imported approximately 22.74 million tonnes of clinker in 2019, representing a year-on-year increase of 79.5%, mainly from Vietnam. Looking to the future, there is severe cement overcapacity in Southeast Asian countries and export momentum is gradually increasing. If the price difference between domestic and international clinker remains large in 2020, clinker imports will continue an upward trend, which will have impact on markets with convenient water transport along the coast and rivers of China.

(2) Industry Trend

Despite various uncertainties over demand and supply, there are also a number of positive factors. Opportunities and challenges coexist in 2020, and the Group maintains a cautious and optimistic attitude. The main positive factors are as follows:

First, affected by the epidemic, the GDP growth in the first quarter is predicted to decline to 4% – 5%. However, backing by a huge domestic market, China's economy remains resilient and still has huge potential in growth. There has not been any change in the basic trend of China's economy, which is to remain stable and positive, with a positive long-term growth outlook. It is estimated that GDP growth will be maintained at about 5.5% in 2020. In anticipation of a stable economic growth, the probability of a sharp decline in cement demand in 2020 is small, and it is expected that cement demand will remain fluctuating in the plateau phase.

Second, in terms of infrastructure construction, the State had brought forward the quota of special-purpose local governments' bonds, lowered the minimum capital ratio requirements for some infrastructure projects, accelerated the construction of projects that could help boost the economy, and pushed forward with the construction of major projects. As a key driver of stable economic growth, the growth rate of infrastructure investment is expected to increase. The growth rate of property investment may decline, but infrastructure and property sectors will still provide strong support to drive cement demand. A considerable amount of demand curbed by the early warning and control of air pollution since September last year will be released in 2020, which will help improve cement demand for the current year. As at October 2019, the total investment of transportation infrastructure projects approved by the National Development and Reform Commission amounted to RMB1.13 trillion, of which urban rail transit accounted for 49.12%. Since the second half of the year, dozens of infrastructure projects including 18 railway projects and metro projects in various cities had been approved, with an investment nearing RMB500 billion. With the gradual availability of funds, construction of the subsequent infrastructure projects are expected to be carried out at the same time, which will help release demand.

Third, the "stringent control of output and production capacity" with respect to the supply side will continue. 2020 is the last year of the three-year action plan aims for blue skies. However, various areas have yet to meet the environmental protection standards and face great pressure to meet the standards. In order to meet the environmental standards set by the action plan, cities will find no room for easing cement supply. In 2020, air pollution control may be further tightened, and the impact of new production capacity on the whole industry will be minimal.

(3) The Group's Outlook

As the epidemic occurred during the low season of cement demand, its impact was relatively minimal. Pent-up demand will gradually be released in the second quarter. After the epidemic, it is expected that measures to ensure steady infrastructure investment growth will increase, which will provide strong support to drive market demand in the second half of the year. At the same time, against the backdrop of supply-side structural reform policies and tighter environmental protection regulation, industry self-discipline improves and synergies among large enterprises increase, while various measures to reduce production capacity and optimise structure will continue to be implemented. The overall trend of gradual improvement in the supply-demand relationship in the cement industry will not change, and it is expected that cement price will remain at high levels, with mild fluctuations. As such, the Group expects cement demand will shrink in the first quarter of 2020, recover in the second quarter, and remain at peak season level in the second half of the year. With both challenges and opportunities lying ahead, much could be achieved in 2020.

In view of the changes brought forth by a new era, efficiency enhancement, cost reduction, structure optimisation and quality improvement will be the direction of the Group's operation management in 2020. The Group will continue to uphold its longstanding corporate culture of "Integrity, Diligence, Austerity, Prudence and Innovation", push forward with transformation towards an informatized and intelligentized enterprise, promote implementation of ultra-low power consumption and ultra-low emission standards, optimize existing sales network, and enhance the Group's overall competitiveness with high quality products and excellent services. As a long-standing, ambitious, innovative and sustainable international company, the Company will create greater value for the country/society, shareholders and employees with its outstanding performance.

OTHER INFORMATION

Final Dividend

In acknowledging the continuous support from the Group's shareholders, the Board recommends the payment of a final dividend of RMB50 cents per ordinary share in respect of the year ended 31 December 2019, subject to approval by shareholders at the forthcoming annual general meeting of the Company. The dividend will be payable on 23 June 2020 to shareholders whose names appear on the Register of Member of the Company after close of business on Wednesday, 10 June 2020.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 2 June 2020 to Friday, 5 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 1 June 2020.

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 Wednesday, 10 June 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 10 June 2020.

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 2019, 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.

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 together with the management and the external auditor 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 2019.

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 2019.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2019, 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 2019 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
HSU Shu-tong
Chairman

Hong Kong, 24 March 2020

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.