



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

INTERIM REPORT 2020



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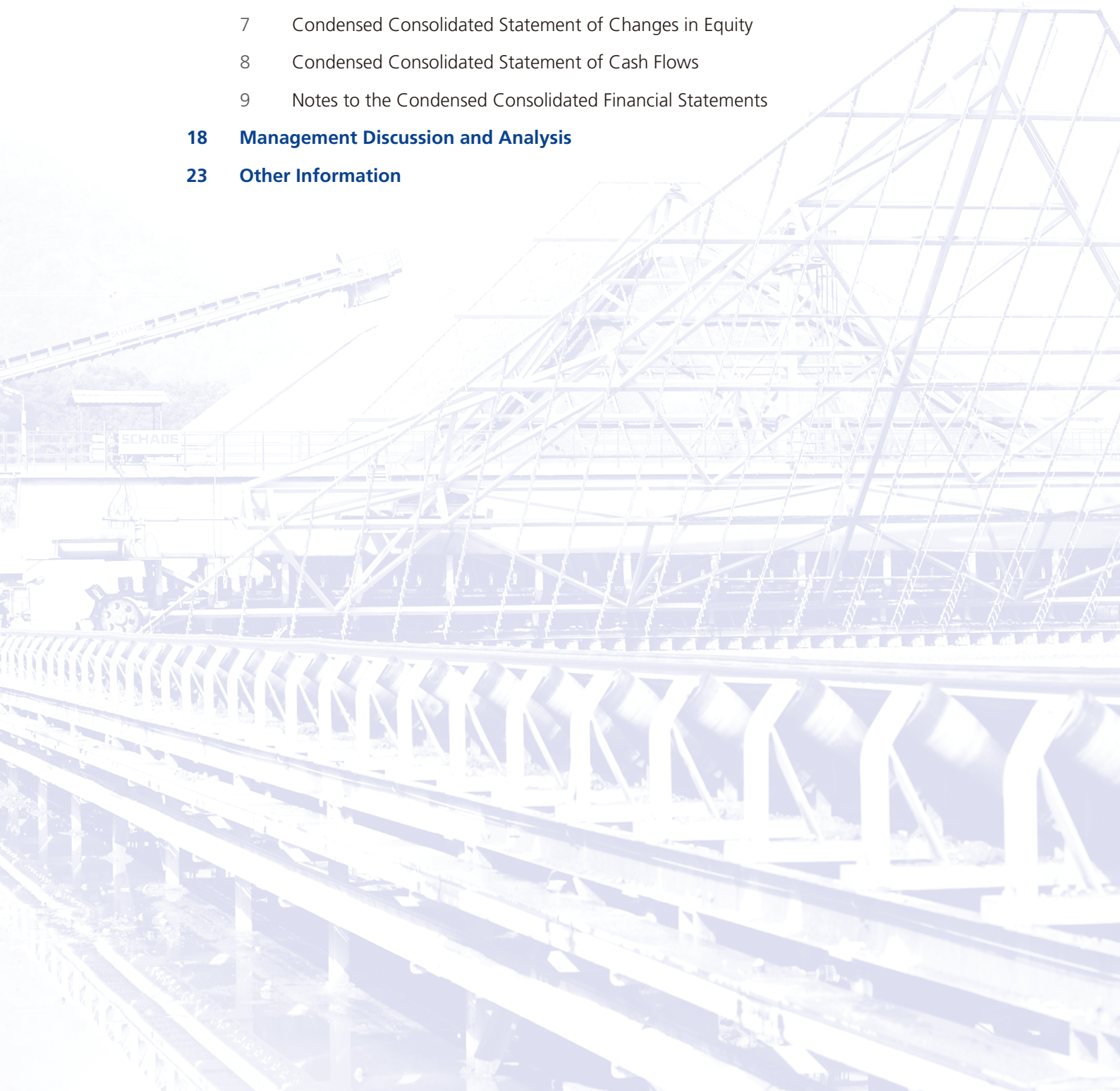
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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. HSU, Shu-ping (*Vice Chairman*)
Mr. CHANG, Tsai-hsiung
Dr. WU, Chung-lih (*Chief Executive Officer*)
Mr. CHANG, Chen-kuen
Mr. LIN, Seng-chang
Ms. WU, Ling-ling

Non-Executive Director

Mr. HSU, Shu-tong (*Chairman*)

Independent Non-Executive Directors

Mr. TSIM, Tak-lung Dominic
Mr. WANG, Wei
Mr. LEE, Kao-chao
Dr. WANG, Kuo-ming

COMPANY SECRETARY

Ms. CHOW, Yuk Yin Ivy

AUTHORIZED REPRESENTATIVES

Dr. WU, Chung-lih
Ms. CHOW, Yuk Yin Ivy

MEMBERS OF AUDIT COMMITTEE

Mr. TSIM, Tak-lung Dominic (*Chairman*)
Mr. HSU, Shu-tong
Mr. LEE, Kao-chao

MEMBERS OF REMUNERATION COMMITTEE

Dr. WANG, Kuo-ming (*Chairman*)
Mr. HSU, Shu-tong
Mr. TSIM, Tak-lung Dominic

MEMBERS OF NOMINATION COMMITTEE

Mr. HSU, Shu-tong (*Chairman*)
Mr. TSIM, Tak-lung Dominic
Mr. WANG, Wei

MEMBERS OF INDEPENDENCE COMMITTEE

Mr. LEE, Kao-chao (*Chairman*)
Mr. TSIM, Tak-lung Dominic
Dr. WANG, Kuo-ming

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 6 Yadong Avenue
Ma-Tou Town, Ruichang City
Jiangxi Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Portion of Unit B, 11th Floor
Lippo Leighton Tower
103 Leighton Road
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road,
P.O.BOX 1586, Grand Cayman, KY1-1110,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
Bank of China
Bank of Communications



Corporate Information

HONG KONG LEGAL ADVISER

Zhong Lun Law Firm
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1 Connaught Place
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AUDITORS

Deloitte Touche Tohmatsu
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88 Queensway
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STOCK CODE

743

COMPANY WEBSITE

www.achc.com.cn

CONTACT DETAILS

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Financial Highlights

Six months ended 30 June

	Notes	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue		4,314,031	6,043,385
Gross profit		1,786,157	2,643,248
Profit for the period		909,612	1,548,537
Profit attributable to owners of the Company		878,414	1,510,397
Gross profit margin		41%	44%
Earning per share			
— Basic		RMB0.561	RMB0.964

		30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Total assets		23,386,668	23,985,754
Net assets		14,690,432	14,642,994
Current ratio	1	1.98	1.64
Quick ratio	2	1.86	1.55
Gearing ratio	3	0.37	0.39

Notes:

1. Current ratio is calculated as current assets divided by current liabilities.
2. Quick ratio is calculated as current assets less inventories divided by current liabilities.
3. Gearing ratio is calculated as total liabilities divided by total assets.

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

Six months ended 30 June

	Notes	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	3	4,314,031	6,043,385
Cost of sales		(2,527,874)	(3,400,137)
Gross profit		1,786,157	2,643,248
Other income	5	132,466	112,980
Other gains and losses	6	(58,724)	(19,526)
Distribution and selling expenses		(178,617)	(221,299)
Administrative expenses		(250,670)	(241,638)
Share of profits of joint ventures		4,239	4,017
Share of losses of associates		(3,108)	(1,585)
Finance costs		(95,184)	(142,656)
Profit before tax		1,336,559	2,133,541
Income tax expense	7	(426,947)	(585,004)
Profit for the period	8	909,612	1,548,537
Profit for the period attributable to:			
Owners of the Company		878,414	1,510,397
Non-controlling interests		31,198	38,140
		909,612	1,548,537
		RMB	RMB
Earnings per share:			
Basic	10	0.561	0.964

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	<i>Notes</i>	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	7,802,823	8,077,172
Quarry	12	936,682	964,761
Right-of-use assets		809,310	819,682
Investment properties		121,067	82,420
Goodwill		554,241	554,241
Other intangible assets		4,305	3,571
Interests in joint ventures		60,730	56,491
Interests in associates		722,014	725,122
Restricted bank deposits		3,428	–
Deferred tax assets		97,574	82,222
		11,112,174	11,365,682
CURRENT ASSETS			
Inventories	13	726,255	674,380
Trade and other receivables	14	2,366,684	3,962,640
Amount due from an associate		10,052	15,959
Amount due from a joint venture		5,005	10,014
Restricted bank deposits		9,854	14,503
Bank balances and cash		9,156,644	7,942,576
		12,274,494	12,620,072
CURRENT LIABILITIES			
Trade and other payables	15	1,246,115	2,174,123
Amount due to a joint venture		18,102	5,563
Tax payables		152,365	555,414
Borrowings – due within one year		4,591,785	4,770,215
Lease Liabilities		5,639	4,512
Contract Liabilities	16	184,755	185,525
		6,198,761	7,695,352
NET CURRENT ASSETS		6,075,733	4,924,720
TOTAL ASSETS LESS CURRENT LIABILITIES		17,187,907	16,290,402
NON-CURRENT LIABILITIES			
Borrowings – due after one year		2,295,273	1,444,094
Deferred tax liabilities		58,483	70,555
Lease Liabilities		102,624	96,025
Provision for environmental restoration		41,095	36,734
		2,497,475	1,647,408
NET ASSETS		14,690,432	14,642,994
CAPITAL AND RESERVES			
Share capital	17	140,390	140,390
Share premium and reserves		14,218,399	14,123,411
Equity attributable to owners of the Company		14,358,789	14,263,801
Non-controlling interests		331,634	379,193
TOTAL EQUITY		14,690,432	14,642,994

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company					Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Special reserve RMB'000	Retained profits RMB'000			
At 1 January 2019 (audited)	140,390	1,724,496	286,038	1,635,906	8,301,079	12,087,909	354,437	12,442,346
Profit for the period	-	-	-	-	1,510,397	1,510,397	38,140	1,548,537
Appropriation	-	585,850	-	-	(585,850)	-	-	-
Dividends recognised as distribution	-	-	-	-	(971,448)	(971,448)	-	(971,448)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(57,998)	(57,998)
At 30 June 2019 (unaudited)	140,390	2,310,346	286,038	1,635,906	8,254,178	12,626,858	334,579	12,961,437
At 1 January 2020 (audited)	140,390	2,310,346	286,038	1,635,906	9,891,121	14,263,801	379,193	14,642,994
Profit for the period	-	-	-	-	878,414	878,414	31,198	909,612
Appropriation	-	767,374	-	-	(767,374)	-	-	-
Dividends recognised as distribution	-	-	-	-	(783,426)	(783,426)	-	(783,426)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(78,748)	(78,748)
At 30 June 2020 (unaudited)	140,390	3,077,720	286,038	1,635,906	9,218,735	14,358,789	331,643	14,690,432

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	1,519,984	2,307,109
Net cash used in investing activities	(21,295)	(207,329)
Net cash used in financing activities	(284,621)	(230,587)
Net increase in cash and cash equivalents	1,214,068	1,869,193
Cash and cash equivalents at beginning of the period	7,942,576	5,008,691
Cash and cash equivalents at end of the period, represented by bank balances and cash	9,156,644	6,877,884

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Accounting Standard 34 ("IAS 34"), "Interim Financial Reporting".

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the international Accounting Standard Board that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosure set out in these condensed consolidated financial statements.

3. Revenue

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of cement products and related products	4,068,386	5,633,638
Sales of concrete	245,645	409,747
	4,314,031	6,043,385

Condensed Consolidated Financial Statements

4. Segment Information

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

Six months ended 30 June 2020 (unaudited)

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Elimination RMB'000	Consolidated RMB'000
REVENUE					
External sales	4,068,386	245,645	4,314,031	–	4,314,031
Inter-segment sales	73,862	–	73,862	(73,862)	–
Total	4,142,248	245,645	4,387,893	(73,862)	4,314,031
RESULT					
Segment result	1,415,054	(35,236)	1,379,818	–	1,379,818
Unallocated income					114,047
Central administration costs, Directors' salaries and other unallocated expense					(63,253)
Share of profits of joint ventures					4,239
Share of losses of associates					(3,108)
Finance costs					(95,184)
Profit before tax					1,336,559

Six months ended 30 June 2019 (unaudited)

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Elimination RMB'000	Consolidated RMB'000
REVENUE					
External sales	5,633,638	409,747	6,043,385	–	6,043,385
Inter-segment sales	87,335	9,891	97,226	(97,226)	–
Total	5,720,973	419,638	6,140,611	(97,226)	6,043,385
RESULT					
Segment result	2,271,302	29,966	2,301,268	–	2,301,268
Unallocated income					33,683
Central administration costs, Directors' salaries and other unallocated expense					(61,186)
Share of profits of joint ventures					4,017
Share of losses of associates					(1,585)
Finance costs					(142,656)
Profit before tax					2,133,541

Segment result represents the profit earned (loss incurred) by each segment without allocation of central administration costs, directors' salaries, share of results of joint ventures and associate, investment income and financial costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Inter-segment sales were charged at market price or where no market price was available at cost plus a percentage mark-up.

Condensed Consolidated Financial Statements

5. Other Income

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grant	23,864	34,205
Transportation fee income	639	1,019
Sales of scrap materials	5,142	2,758
Interest income on bank deposits	100,413	72,035
Rental income, net of outgoings	2,408	1,385
Others	–	1,578
	132,466	112,980

6. Other Gains and Losses

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Allowance for doubtful debts, net	(58,019)	(7,164)
Exchange gain(loss), net	1,228	(11,724)
Loss on disposal of property, plant and equipment	(1,933)	(638)
	(58,724)	(19,526)

7. Income Tax Expense

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
— PRC Enterprise Income Tax ("EIT")	444,933	574,106
Withholding tax paid	—	—
Underprovision (overprovision) in prior years	9,438	3,710
Deferred tax credit	(27,424)	7,188
	426,947	585,004

For the six months ended 30 June 2020 and 2019, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 15% to 25% and 15% to 25%, respectively.

No provision for Hong Kong Profits Tax and Singapore income tax has been made in the condensed consolidated statement of comprehensive income as the Group had no assessable profit arising in these jurisdictions for the six months ended 30 June 2020 and 2019.

The Company is not subject to income tax in the Cayman Islands or any other jurisdiction.

8. Profit for the Period

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Depreciation and amortisation	456,516	413,665

9. Dividends

A final dividend of RMB50 cents per share for the year ended 31 December 2019, amounting to RMB783,426,000, was paid during the six months ended 30 June 2020.

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2020 and 2019.

10. Earnings Per Share

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

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	878,414	1,510,397
	'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
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,566,851	1,566,851

11. Property, Plant and Equipment

	Carrying value RMB'000
At 1 January 2019 (audited)	8,598,033
Additions	54,019
Depreciation for the period	(391,055)
Disposals	(3,367)
At 30 June 2019 (unaudited)	8,257,630
At 1 January 2020 (audited)	8,077,172
Additions	143,420
Depreciation for the period	(396,842)
Disposals	(20,927)
At 30 June 2020 (unaudited)	7,802,822

12. Quarry

	Carrying value RMB'000
At 1 January 2019 (audited)	163,974
Additions	–
Amortisation during the period	(4,669)
At 30 June 2019 (unaudited)	159,305
At 1 January 2020 (audited)	964,761
Additions	–
Amortisation during the period	(28,079)
At 30 June 2020 (unaudited)	936,682

13. Inventories

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Spare parts and ancillary materials	175,823	213,591
Raw materials	294,625	264,050
Work in progress	92,124	81,192
Finished goods	163,683	115,547
	726,255	674,380

14. Trade and Other Receivables

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Trade receivables	1,047,239	1,337,905
Less: accumulated allowance	(289,539)	(232,032)
	757,700	1,105,873
Bills receivable	1,244,429	2,369,794
	2,002,129	3,475,667
Other receivables	364,555	486,973
	2,366,684	3,962,640

The Group has a policy of allowing a credit period from 30 to 180 days for cement customers and 180 to 365 days for concrete customers whereas longer credit term are occasionally allowed to certain selected customers with good credit histories.

14. Trade and Other Receivables (continued)

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
0 – 90 days	462,626	562,510
91 – 180 days	97,954	269,955
181 – 365 days	165,618	144,122
Over 365 days	31,502	129,286
	757,700	1,105,873

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

15. Trade and Other Payables

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Trade and bills payables	291,991	412,453
Other payables and accruals	954,124	1,761,670
	1,246,115	2,174,123
Analysed for reporting purposes as:		
Non-current liabilities	–	–
Current liabilities	1,246,115	2,174,123
	1,246,115	2,174,123

15. Trade and Other Payables (continued)

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
0 – 90 days	234,182	375,252
91 – 180 days	16,760	15,900
181 – 365 days	28,859	10,911
Over 365 days	12,190	10,390
	291,991	412,453

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period for trade purchases is 30 to 90 days.

16. Contract liabilities

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Receipt in advance of delivery for sales of cement products and related products	178,660	183,938
Receipt in advance for sales of concrete	6,095	1,587
	184,755	185,525

17. Share Capital

Issued share capital as at 30 June 2020 amounted to RMB140,390,000. There were no movements in the issued share capital of the Company for the six months ended 30 June 2020.

18. Commitments

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment and land use rights contracted for but not provided in the condensed consolidated financial statements	67,512	36,138

19. Related Party Transactions

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Joint ventures:		
Interest income	199	527
Purchase	8,721	10,808
Transportation expenses	52,802	65,464
Associate:		
Sale of goods	7,393	15,079
Ultimate holding company:		
Sale of goods	-	14,990
Administration expenses	-	6,207

The remuneration of Directors was as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term employee benefits	3,368	3,313

The remuneration of Directors is determined by having regard to the performance of individuals and market trends.

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

Economic activities in China currently continue to show signs of recovery, while resuming work and production is in full swing. Since the second quarter, the implementation of epidemic prevention and control measures, as well as the promotion of economic and social development had gradually taken effect. Production and demand continued to recover, and major indicators improved significantly when compared to that in the first quarter. Based on preliminary calculation, China's GDP in the first half of the year was RMB45,661.4 billion, representing a 1.6% year-on-year decrease at comparable prices. The country's GDP in the first quarter dropped by 6.8% year-on-year and in the second quarter increased by 3.2%. With regard to GDP by industry, the value added of the primary industry amounted to RMB2,605.3 billion, representing a 0.9% year-on-year increase; the value added of the secondary industry was RMB17,275.9 billion, representing a 1.9% year-on-year decrease; the value added of the tertiary industry was RMB25,780.2 billion, representing a 1.6% year-on-year decrease. The GDP of China in the second quarter increased by 11.5% when compared to that of the first quarter. From January to June 2020, the national value added of industries above designated size dropped by 1.3% year-on-year. For three consecutive months from April to June, positive year-on-year growth was recorded. From January to June 2020, the national fixed asset investment (excluding rural households) was RMB28,160.3 billion, down by 3.1% year-on-year; the said declining rate had been narrowed by 3.2 percentage points when compared with that of the January to May period. Comparing to May, the fixed asset investment (excluding rural households) in June increased by 5.91%.

From January to June 2020, the national cement production volume amounted to 1 billion tonnes, representing a 4.8% year-on-year decrease; the national clinker production reached 700 million tonnes, representing a 1.4% year-on-year decrease.

In the first half of 2020, the sales volume of the Group's cement products (cement + clinker) reached 11.14 million tonnes, representing a decrease of 24.4% or 3.6 million tonnes from 14.74 million tonnes in the same period of 2019. The market situation is as follows:

- Affected by COVID-19, the market recovery in the central and downstream region of the Yangtze River after the Spring Festival had been delayed by one to two months as compared with the past. In May, the market reached an interim peak. In June, being the traditional off-season, rainfall was significantly heavier than in the previous years. Affected by severe floods, market demand had decreased and was expected to return to normal after August and September.
- In Sichuan, under the influence of COVID-19 and the import of low-priced foreign cement, price dropped from January to March. After April, the market recovered and the price had stopped declining. The price is expected to stabilize in subsequent periods.

Revenue

The table below shows the sales breakdown by region during the reporting period:

Region	For the six months ended	
	30 June 2020 RMB'000 (unaudited)	30 June 2019 RMB'000 (unaudited)
Southeastern region	2,235,104	2,799,036
Central region	703,509	1,170,658
Southwestern region	1,375,418	2,073,691
	4,314,031	6,043,385

In the reporting period, the Group's revenue amounted to RMB4,314.0 million, representing an decrease of RMB1,729.4 million or 29% from that of RMB6,043.4 million for the corresponding period of 2019. The decrease in revenue was mainly attributable to decrease in the sales volume and selling price of the Company's products.

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Revenue (Continued)

In respect of revenue contribution for the six months ended 30 June 2020, sales of cement and related products accounted for 94% (2019: 93%) and the sales of ready-mix concrete accounted for 6% (2019: 7%). The table below shows the sales breakdown by product during the reporting period:

	For the six months ended	
	30 June 2020 RMB'000 (unaudited)	30 June 2019 RMB'000 (unaudited)
Cement	3,667,997	5,107,147
Clinker	231,894	346,962
Blast-furnace slag powder	45,680	51,457
RMC	245,645	409,747
Others	122,815	128,072
	4,314,031	6,043,385

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), employee compensation and benefits, depreciation and amortization and other overhead costs. During the period under review, the Group's cost of sales was RMB2,527.9 million (2019: RMB3,400.1 million). The decrease in cost of sales was mainly due to the decrease in the sales volume and coal cost.

The gross profit for the six months ended 30 June 2020 was RMB1,786.2 million (2019: RMB2,643.2 million), representing a gross profit margin of 41% on revenue (2019: 44%). The decrease in gross profit was mainly attributable to decrease in the sales volume and selling price of the company's products when compared with that of the corresponding period of the previous year.

Other Income

Other income mainly comprises government grants, transportation fee income, interest income and sales of scrap materials. For the six months ended 30 June 2020, other income amounted to RMB132.5 million, representing an increase of RMB19.5 million or 17% from RMB113.0 million for the corresponding period in 2019. The increase in other income was attributable to the increase in interest income during the period under review.

Other Gains and Losses

Other gains and losses mainly comprise net foreign exchange gain or loss, loss and disposal of property, plant and equipment and allowance of doubtful debts. For the period under review, other losses amounted to RMB58.7 million, representing an increase of RMB39.2 million from the losses of RMB19.5 million for the corresponding period in 2019. The increase in losses was principally attributable to the increase in allowance of doubtful debts.

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For the six months ended 30 June 2020, the distribution and selling expenses amounted to RMB178.6 million, representing an decrease of RMB42.7 million or 19% from RMB221.3 million for the corresponding period of 2019. The decrease in distribution and selling expenses was attributable to decrease in transportation fees, handling charges and material consumed during the period under review.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses increase by 4%, to RMB250.7 million from RMB241.6 million for the corresponding period of 2019. The increase was attributable to increase in employee compensation during the period under review.

The finance costs decreased by 33% was mainly due to decrease in borrowing and borrowing interest rate.

Profit for the Period

In the reporting period, the net profit of the Group amounted to RMB909.6 million, representing an decrease of RMB638.9 million from a net profit of RMB1,548.5 million for the corresponding period of 2019. The decrease in net profit was mainly attributable to decrease in the sales volume and selling price of the company's products when compared with that of the corresponding period of the previous year.

Financial Resources and Liquidity

The Group maintained a healthy financial and liquidity position for the six months ended 30 June 2020. The total assets approximately RMB23,386.7 million (31 December 2019: approximately RMB23,985.8 million) while the total equity approximately RMB14,690.4 million (31 December 2019: approximately RMB14,643.0 million).

As at 30 June 2020, the Group's cash and cash equivalents amounted to approximately RMB9,156.6 million (31 December 2019: approximately RMB7,942.6 million).

As at 30 June 2020, the Group's gearing ratio was approximately 37% (31 December 2019: 39%). The calculation of the gearing ratio was based on total liabilities and total assets as at 30 June 2020 and 31 December 2019, respectively.

Borrowings

The maturity profiles of the Group's borrowings outstanding as at 30 June 2020 and 31 December 2019 are summarized as below:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Within one year	4,591,785	4,770,215
Over second year	2,295,273	1,444,094
	6,887,058	6,214,309

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Capital Expenditure and Capital Commitments

Capital expenditure for the six months ended 30 June 2020 amounted to approximately RMB143.2 million (31 December 2019: approximately RMB293.2 million) and capital commitments as at 30 June 2020 amounted to approximately RMB67.5 million (31 December 2019: approximately RMB36.1 million). Both the capital expenditure and capital commitments were mainly related to the purchase of plant, equipment and investment projects. The Group anticipates funding those commitments from future operating revenue, bank borrowings and other sources of finance when appropriate.

Pledge of Assets

As at 30 June 2020, the Group did not have any pledge or charge on assets.

Contingent Liabilities

As at the date of this announcement and as at 30 June 2020, the Board was not aware of any material contingent liabilities.

Human Resources

As at 30 June 2020, the Group had 3,866 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerates 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 Share Option Scheme, where eligible directors and employees are entitled to various share options to subscribe for ordinary shares in the Company in accordance with their past and potential contribution to the growth of the Group. As at 30 June 2020, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposals of Subsidiaries and Affiliated Companies

The Group had no significant investment, material acquisitions or disposals for the six months ended 30 June 2020.

Foreign Exchange Risk Management

The Group's sales and purchases during the reporting period were mostly denominated in Renminbi ("RMB").

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of the 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 management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above, there was no important event affecting the Group that occurred after 31 December 2019 and up to the date of this announcement.

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Prospects

Looking into the second half of 2020, the Group is optimistic about the development of the cement industry, which can be mainly reflected in the following points:

1. Affected by COVID-19, China's economy is under increasing downward pressure. To minimize the impact of COVID-19, the State has initiated the "New Infrastructure" plan. Rail transit infrastructure projects have become the key investment areas for local governments. In particular, high speed intercity rail and intercity rail transit will play a greater role as economic pillar. On the whole, the impact of infrastructure will continue to be felt throughout the year, and regional demand (mainly infrastructure demand) is expected to exceed expectations.
2. Continued increase in investment in major water conservation projects will stimulate further rise in cement demand. On 13 July, the State Council Information Office of the People's Republic of China held a policy briefing, giving a clear signal that the country will speed up increased investment in major water conservation projects: assign 150 major water conservation projects, with a total investment of approximately RMB1.29 trillion, which is expected to drive both direct and indirect investment of about RMB6.6 trillion.
3. Along with the recovery of market demand, the off-season price adjustment is basically coming to an end. Regions which currently see price decline will see their price gradually rise in the third and fourth quarters.

All in all, the Group believes that with the accelerated implementation of stronger measures, the economic growth is expected to pick up quarter by quarter in the second half of 2020. The Group plans to sell 17.36 million tonnes of cement products (cement + clinker) in the second half of the year and plans to sell 28.50 million tonnes of cement products (cement + clinker) for the whole year. It is expected that the cement prices will stabilize and rise in the third quarter; the overall profitability of the cement industry is expected to look promising by the fourth quarter, which is the traditional peak season.

In pursuit of innovation and change, the Group will continue to carry out reforms on various management systems. The Group will encourage its staff to improve their work, enhance the Company's operating results and performance, adhere to the operational management direction of increasing efficiency, reducing costs, improving structure, and improving quality. In addition, the Group will continue to meet its environmental protection obligation, proactively respond to and cooperate with government departments to process household waste as well as solid waste using cement kilns and spare no efforts to fulfill its corporate social responsibilities.

Other Information

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Number of ordinary shares			% of the Company's issued shares
	Personal interests	Equity derivatives	Total interests	
Mr. HSU, Shu-tong	3,000,000	—	3,000,000	0.19%
Mr. HSU, Shu-ping	200,000	—	200,000	0.01%
Mr. CHANG, Tsai-hsiung	319,500	—	319,500	0.02%
Dr. WU, Chung-lih	245,000	—	245,000	0.02%
Mr. CHANG, Chen-kuen	650,500	—	650,500	0.04%
Mr. LIN, Seng-chang	290,000	—	290,000	0.02%
Ms. WU, Ling-ling	20,000	—	20,000	0.001%

Long positions in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Type of interest			Total No. of ordinary shares in the associated corporation	% of shareholding in the associated corporation
		Personal	Through spouse	Corporate		
Mr. HSU, Shu-tong	Asia Cement Corporation ("Asia Cement")	23,278,334	6,352,467	—	29,630,801	0.88%
	Asia Cement (Singapore) Private Limited ("Asia Cement Singapore")	2	—	—	2	0.00002%
	Oriental Industrial Holdings Pte., Ltd ("Oriental Industrial")	4,000	—	—	4,000	0.0007%
Mr. HSU, Shu-ping	Asia Cement	13,454,981	—	—	13,454,981	0.40%
Mr. CHANG, Tsai-hsiung	Asia Cement	459,350	110,877	—	570,227	0.02%
	Oriental Industrial	2,000	—	—	2,000	0.0004%
Mr. CHANG, Chen-kuen	Asia Cement	29,745	5,358	—	35,103	0.001%
Mr. LIN, Seng-chang	Asia Cement	16,892	476	—	17,368	0.0005%
Dr. WANG, Kuo-ming	Asia Cement	—	1,841	—	1,841	0.00005%

Saved as disclosed above, as at 30 June 2020, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 30 June 2020 and to the best knowledge of the Directors and chief executives of the Company, persons (other than Directors or chief executives of the Company) who had an interest or short position, in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions in Shares Substantial shareholders

Name	Capacity	Number of Shares	Approximate % of issued share capital of the Company
Asia Cement (note 1)	Beneficial owner and interest by attribution	1,144,862,000	73.07%

Note:

- Asia Cement beneficially owns approximately 67.73% interest of the Company. Asia Cement Singapore holds approximately 4.07% interest in the Company, which is approximately 99.96% owned by Asia Cement. Asia Cement is deemed to be interested in approximately 4.07% interest of the Company by virtue of its corporate interest in Asia Cement Singapore. Further, Falcon Investments Private Limited holds approximately 1.07% interest in the Company and is owned as to 100% by U-Ming Marine Transport (Singapore) Private Limited, which is in turn owned as to 99.99% by U-Ming Marine Transport Corporation. U-Ming Marine Transport Corporation is owned as to 38.66% by Asia Cement. Asia Cement is deemed to be interested in approximately 1.07% interest of the Company under the SFO.

Save as disclosed above, as at 30 June 2020, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) also had interests or short positions on the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEMES

Share Option Scheme

The share option scheme approved and adopted by the Company on 27 April 2008 was expired on 26 April 2018. No options have been granted under the Share Option Scheme as at 30 June 2020, or as at the date of this Interim Report.

CORPORATE GOVERNANCE

The Company has complied with all of the code provisions of the Corporate Governance Code ("the CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2020, 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.



Other Information

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.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2020, and was of the opinion that the preparation of such interim results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee include the review of Directors' and senior management's remuneration packages, bonuses and other compensation. Currently, the Remuneration Committee comprises Mr. Wang, Kuo-ming (Chairman), Mr. Hsu, Shu-tong and Mr. Tsim, Tak-lung Dominic, all of whom are non-executive Directors.

NOMINATION COMMITTEE

The Company has established the Nomination Committee with written terms of reference in compliance with the Corporate CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board. Currently, the Nomination Committee comprises Mr. Hsu, Shu-tong (Chairman), Mr. Tsim, Tak-lung Dominic and Mr. Wang, Wei, all of whom are non-executive Directors.

INDEPENDENCE COMMITTEE

The Company has established the Independence Committee. The primary duties of the Independence Committee include the review of transactions between the Group, Asia Cement and Far Eastern Group and assess any potential conflict of interest between them. Save as disclosed in the section headed "Relationship with Asia Cement" and "Connected Transactions" in the prospectus dated 5 May 2008 issued by the Company, no additional ongoing relationships or potential conflict of interests was identified in the period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIVIDENDS

The Board does not recommend payment of any dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set forth in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. Having made specific enquiry with all Directors, all the Directors confirmed that they have complied with the Model Code throughout the period under review.



Other Information

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge, information and belief of the Directors, the Directors confirm that the Company had maintained a sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2020.

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 period.

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

Hong Kong, 7 August 2020