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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 14% to RMB10,823.8 million (2019: approximately RMB12,608.7 million).
- Profit attributable to owners of the Company was RMB2,668.7 million (2019: Profit attributable to owners of the Company approximately RMB3,147.3 million).
- Basic earnings per share amounted to RMB1.703 (2019: Basic earnings per share RMB2.009).
- The Board proposed a final dividend of RMB51.1 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 unaudited consolidated results of the Group for the year ended 31 December 2020, together with the comparative figures for 2019. For the reasons explained in the paragraph headed "Review of unaudited annual consolidated results" in the announcement, the auditing progress for annual consolidated results of the Group for the year ended 31 December 2020 has not been completed.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2020

	NOTES	**2020** ***RMB'000*** **(unaudited)**	2019 *RMB'000* (audited)
Revenue	*3*	**10,823,753**	12,608,716
Cost of sales		**(6,304,971)**	(7,289,590)
Gross profit		**4,518,782**	5,319,126
Other income	*4*	**274,258**	238,252
Other gains and losses	*5*	**(27,003)**	(23,302)
Allowance for credit losses on trade and other receivables, net		**(115,231)**	(45,058)
Distribution and selling expenses		**(435,567)**	(447,454)
Administrative expenses		**(396,602)**	(428,509)
Finance costs		**(135,934)**	(267,721)
Share of profits of joint ventures		**10,196**	9,579
Share of losses of associates		**(6,138)**	(4,833)
Profit before tax		**3,686,761**	4,350,080
Income tax expense	*6*	**(936,352)**	(1,119,984)
Profit and total comprehensive income for the year	*7*	**2,750,409**	3,230,096
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**2,668,708**	3,147,340
Non-controlling interests		**81,701**	82,756
		2,750,409	3,230,096
		RMB	*RMB*
Earnings per share			
Basic	*9*	**1.703**	2.009

Consolidated Statement of Financial Position
At 31 December 2020

	NOTES	2020 RMB'000 (unaudited)	2019 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**7,586,580**	8,077,172
Quarry		**999,574**	964,761
Investment properties		**123,247**	82,420
Goodwill		**554,241**	554,241
Intangible assets		**4,822**	3,571
Interests in joint ventures		**60,515**	56,491
Interests in associates		**718,025**	725,122
Deferred tax assets		**110,571**	82,222
Right-of-use assets		**802,275**	819,682
		10,959,850	11,365,682
CURRENT ASSETS			
Inventories	*10*	**608,368**	674,380
Trade and other receivables	*11*	**2,385,038**	3,962,640
Note receivables		**2,401,163**	–
Amount due from an associate		**4,224**	15,959
Amount due from a joint venture		**–**	10,014
Restricted bank deposits		**–**	14,503
Bank balances and cash		**5,275,608**	7,942,576
		10,674,401	12,620,072
CURRENT LIABILITIES			
Trade and other payables	*12*	**1,204,170**	2,174,123
Contract liabilities		**229,310**	185,525
Amounts due to joint ventures		**13,490**	5,563
Tax payables		**494,122**	555,414
Borrowings – due within one year		**872,988**	4,770,215
Lease liabilities		**6,007**	4,512
		2,820,087	7,695,352
NET CURRENT ASSETS		**7,854,314**	4,924,720
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,814,164**	16,290,402

	NOTES	2020 RMB'000 (unaudited)	2019 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Borrowings – due after one year		**2,099,171**	1,444,094
Deferred tax liabilities		**47,176**	70,555
Provision for environmental restoration		**38,161**	36,734
Lease liabilities		**98,428**	96,025
		2,282,936	1,647,408
NET ASSETS		**16,531,228**	14,642,994
CAPITAL AND RESERVES			
Share capital	*13*	**140,390**	140,390
Reserves		**16,008,693**	14,123,411
Equity attributable to owners of the Company		**16,149,083**	14,263,801
Non-controlling interests		**382,145**	379,193
TOTAL EQUITY		**16,531,228**	14,642,994

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS")

Amendments to IFRS Standards that are mandatorily effective for the current year

The Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRS Standards issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidation financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the 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.

Impacts on application of Amendments to IAS 1 and IAS 8 Definition of Material

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

New and amendments to IFRS Standards issued but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to IFRS 16	COVID-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
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 or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

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

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
At a point in time recognition:		
– Sales of cement products and related products	**10,242,944**	11,796,770
– Sales of concrete	**580,809**	811,946
Total	**10,823,753**	12,608,716

(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 been 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 where 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.

(iii) Transaction price allocated to the remaining performance obligation for contract with customers

All performance obligations for sale of cement products, concrete and related products are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. OTHER INCOME

	2020 ***RMB'000*** **(unaudited)**	2019 *RMB'000* (audited)
Government grant income	**84,609**	48,967
Interest income on bank deposits	**176,499**	162,183
Interest income on note receivables	**3,712**	–
Sales of scrap materials	**3,943**	21,831
Transportation fee income	**2,194**	2,155
Rental income, net of outgoings *(note)*	**3,066**	2,330
Interest income on advance to a joint venture	**235**	786
	274,258	238,252

Note: The direct operating expenses incurred for generating rental income amounted to approximately RMB1,861,000 (2019: RMB1,425,000).

5. OTHER GAINS AND LOSSES

	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Exchange loss, net	**(7,019)**	(10,082)
Loss on disposal/write-off of property, plant and equipment	**(35,230)**	(11,420)
Gain on disposal of right-of-use assets	**13,066**	–
Gain (loss) on fair value change on investment properties	**2,180**	(7,310)
Recovery of bad debts previously written off	**–**	5,510
	(27,003)	(23,302)

6. INCOME TAX EXPENSE

	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**852,178**	1,015,384
Withholding tax paid	**125,928**	79,659
Underprovision in prior years in respect of PRC EIT	**9,974**	2,776
Deferred tax	**(51,728)**	22,165
	936,352	1,119,984

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% (2019: 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% (2019: 15%) in 2020.

7. PROFIT FOR THE YEAR

	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	**794,323**	784,281
– Quarry	**71,087**	285,359
– Intangible assets	**1,708**	1,362
– Right-of-use assets	**38,943**	35,301
Total depreciation and amortisation	**906,061**	1,106,303
Less: Capitalised in inventories	**(664,740)**	(787,789)
	241,321	318,514
Staff costs, including Directors' remuneration		
Salaries and other benefits	**543,917**	570,748
Retirement benefits scheme contributions *(Note)*	**4,446**	28,810
Total staff costs	**548,363**	599,558
Less: Capitalised in inventories	**(388,842)**	(429,470)
	159,521	170,088
Auditors' remuneration	**5,420**	5,564
Cost of inventories recognised as expenses (including the provision of environmental restoration of RMB1,427,000 (2019: RMB5,456,000))	**6,304,971**	7,289,590

Note: For the year ended 31 December 2020, COVID-19-related government assistance amounted to RMB25,520,000 in relation to concession on retirement benefits scheme contributions granted by the relevant PRC Government Authorities, have been offset against the staff costs for the year.

8. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Dividends for ordinary shareholders of the Company recognised as distributions during the year:		
2019 Final, paid – RMB50 cents (2019: 2018 Final, paid – RMB62 cents) per share	**783,426**	971,448

A final dividend for the year ended 31 December 2020 of RMB51.1 cents per share (2019: RMB50 cents per share) amounting to approximately RMB800,661,000 (2019: RMB783,426,000) has been proposed by the 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:

	2020 *RMB'000* (unaudited)	2019 *RMB'000* (audited)
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**2,668,708**	3,147,340
	'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

	2020 *RMB'000* (unaudited)	2019 *RMB'000* (audited)
Spare parts and ancillary materials	**148,923**	213,591
Raw materials	**272,278**	264,050
Work in progress	**66,173**	81,192
Finished goods	**120,994**	115,547
	608,368	674,380

11. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables from contracts with customers	**1,058,993**	1,337,905
Less: Allowance for credit losses	**(246,850)**	(232,032)
	812,143	1,105,873
Bills receivable	**1,280,901**	2,369,794
Advances to suppliers	**169,742**	382,985
Deposits	**14,127**	16,136
Prepayments	**24,265**	3,118
Value-added tax recoverable	**7,975**	26,251
Other receivables	**85,640**	58,483
Allowance for credit losses on other receivables	**(9,755)**	–
	2,385,038	3,962,640

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**	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
0–90 days	**380,431**	387,161	**134,215**	175,349	**514,646**	562,510
91–180 days	**102,681**	126,584	**83,137**	143,371	**185,818**	269,955
181–365 days	**854**	3,985	**65,618**	140,137	**66,472**	144,122
Over 365 days	**–**	53,025	**45,207**	76,261	**45,207**	129,286
	483,966	570,755	**328,177**	535,118	**812,143**	1,105,873

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**	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
0–90 days	**789,814**	1,156,522	**13,504**	8,191	**803,318**	1,164,713
91–180 days	**471,283**	1,190,216	**6,300**	2,000	**477,583**	1,192,216
181–365 days	**–**	12,865	**–**	–	**–**	12,865
	1,261,097	2,359,603	**19,804**	10,191	**1,280,901**	2,369,794

12. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**281,512**	412,453
Accruals	**187,627**	149,654
Mine reserve fund payable	**299,724**	1,075,031
Staff wages and welfare payable	**134,608**	141,970
Value added tax payable	**104,741**	156,025
Construction cost payable	**41,435**	68,839
Other taxes payable	**22,446**	21,224
Interest payable	**1,765**	6,883
Consideration payable for acquisition of a subsidiary in 2014	**24,385**	72,738
Other payables	**105,927**	69,306
	1,204,170	2,174,123

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

	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0–90 days	**264,584**	375,252
91–180 days	**1,907**	15,900
181–365 days	**5,541**	10,911
Over 365 days	**9,480**	10,390
	281,512	412,453

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 2019, 31 December 2019 (audited), 1 January 2020 and 31 December 2020 (unaudited)	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2019, 31 December 2019 (audited), 1 January 2020 and 31 December 2020 (unaudited)	1,566,851,000	156,685	140,390

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW:

(1) Macro perspectives of China and the industry:

In 2020, facing the unexpected novel coronavirus pandemic, the State had taken a number of timely pandemic prevention and control measures and accelerated work and production resumption, thereby ensuring a stable economic recovery and rapid restoration of various indicators. As at the end of 2020, China's fixed asset investment increased by 2.9% year on year, infrastructure investment increased by 0.9% year on year and property development investment increased by 7% year on year. In 2020, China's GDP exceeded RMB100 trillion, representing a year-on-year increase of 2.3%, making it the only major economy in the world to achieve positive economic growth.

During the year, the cement industry was affected by both the pandemic and floods. Nevertheless, driven by infrastructure construction investment, which played a vital role in supporting stable economic growth, as well as strong support from the stable development of property investment, the market rapidly recovered and reversed the significant year-on-year decline in cement demand during the early stage of the pandemic. The national annual cement output reached 2.377 billion tonnes, a year-on-year increase of 1.6%.

In 2020, there was an addition of 28 new dry-process cement and clinker production lines in China, an increase of 12 production lines when compared to that of 2019, and the cumulative newly added capacity amounted to 33.95 million tonnes. In 2020, 25.2 million tonnes in aggregate of obsolete clinker production capacity were eliminated, which represented a 52.3% year-on-year increase. Among them, the largest reduction was seen in Northwest region, reaching 10 million tonnes, followed by East China (8 million tonnes), Southwest (3.7 million tonnes), and Northeast (3.5 million tonnes).

(2) Overview of the Group's business:

2020 is a challenging year. Facing the challenges of the pandemic and various market uncertainties, the Group insisted on promoting reform and innovation, actively building green factories and smart factories, and seeking transformation and upgrading. The major points are summarised as follows:

First, the Group was committed to advanced production process and environmental protection for improving efficiency while paying special attention to environmental protection. In response to the State's green development concept, the Group implemented scientific mining and safety standardization in mineral resource development and product production process, forming a new sustainable green mining development model which features digital management of information and comprehensive utilization of resources. In September 2020, Huanggang Yadong Cement successfully entered the national "List of the Fifth Batch of Green Factories". In December 2020, Jiangxi Yadong Cement's two mines, the "Xinwutian Limestone Mine" (新屋田灰岩礦) and "Xiazhang Limestone Mine For Cement Production" (下張水泥用灰岩礦) were selected as green mines. The Group's "green development concept" has been widely recognized by society. On the aspect of production, the Group continued to uphold the concepts of ultra-low power consumption, ultra-low emission and environmental protection and continued to promote production technology modification such as replacing electrostatic precipitators with baghouses to collect dust, desulfurization and denitrification, waste treatment and permanent magnet motors application, which not only achieved lower energy consumption and optimized resource allocation, but also improved production efficiency and product quality, and protected the environment.

Second, affected by the novel coronavirus outbreak at the beginning of the year and the heavy rain in the middle reaches of the Yangtze River, market demand was hit hard, causing the Group's sales volume in the first half of the year to decline. On the one hand, the sales team made all-out effort to maintain market share in the core markets of Nanchang, Jiujiang, Wuhan, and Chengdu. On the other hand, the Group used big data to analyse the profitability of each region to optimize sales structure in order to achieve stable sales volume of the Group in the third quarter. For three consecutive months in the fourth quarter, it repeatedly set delivery new highs. Meanwhile, the Group optimized the remuneration system of sales staff, reduced staff establishment, and encouraged the sales team to focus more on serving customers and company profits. A series of measures such as the launch of a new version of customer APP and the implementation of the all-in-one-card product delivery system had significantly enhanced customer services.

Third, under the new normal, the Group had switched to online training and online meetings as the main approach for adhering to the talent pool and grooming plan. In 2020, to accelerate the fostering of talent at the grassroots level and middle-level management, the Group began to implement cross-company and cross-department key personnel rotation, giving employees more resources and platforms to effectively improve their comprehensive business performance. Such initiatives helped facilitate the rationalization of the Group's talent echelon development and secure a sufficient pool of professionals. The Group also pushed ahead with rightsizing personnel resources and organizational reforms, assigning specified tasks to each position and planning for the required establishment size. The mobile APP for employees and the online security access system improved employees' work performance, facilitated convenience of working, and enhanced the Company's network confidentiality and security.

In 2020, due to the greater impact brought by the epidemic in Wuhan and its surrounding areas, the Group's clinker output amounted to 23.91 million tonnes, representing a decrease of 3.8% from that of 2019, and the total sales of cement and clinker was 28.84 million tonnes, a decrease of 5.3% from that of 2019. The prices in the major sales areas of the Group had been hovering at relatively high levels. In 2020, the Group made a profit of RMB2.75 billion.

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

	2020 (unaudited)	2019 (audited)	Change (%)
Cement	**26,786**	28,652	(6.5)
Clinker	**2,058**	1,816	13.3
Blast-furnace slag powder	**337**	365	(7.7)
	29,181	30,833	(5.4)

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

	2020 (unaudited)	2019 (audited)	Change (%)
Southeastern region	**12,808**	13,643	(6.1)
Central region	**5,446**	6,160	(11.6)
Southwestern region	**8,532**	8,849	(3.6)
	26,786	28,652	(6.5)

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

	2020 Sales volume (unaudited)	**2020** Percentage (%)	2019 Sales volume (audited)	2019 Percentage (%)
High grade cement	**25,284**	**94**	26,708	93
Low grade cement	**1,502**	**6**	1,944	7
	26,786	**100**	28,652	100

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

	2020 Sales volume (unaudited)	**2020** Percentage (%)	2019 Sales volume (audited)	2019 Percentage (%)
Bulk cement	**23,808**	**89**	25,032	87
Bagged cement	**2,978**	**11**	3,620	13
	26,786	**100**	28,652	100

Table 5: The Group’s market share

	2020 (unaudited)	2019 (audited)
Jiujiang	**29%**	36%
Nanchang	**24%**	25%
Wuhan	**18%**	23%
Chengdu	**33%**	42%
Yangzhou	**22%**	22%

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 2020, the Group's revenue amounted to RMB10,823.8 million, representing an decrease of RMB1,784.9 million or 14% from RMB12,608.7 million in 2019. The decrease in revenue was mainly attributable to the decrease in the sales quality and average selling price of the Group's products during 2020.

	2020 *RMB'000* **(unaudited)**	*%*	2019 *RMB'000* (audited)	*%*
Southeastern region	**5,551,979**	**51**	6,126,007	49
Central region	**1,970,676**	**18**	2,476,297	20
Southwestern region	**3,301,098**	**31**	4,006,412	31
	10,823,753	**100**	12,608,716	100

In respect of revenue contribution for 2020, sales of cement accounted for 86% (2019: 86%) and sales of concrete accounted for 5% (2019: 6%). The table below is a sales analysis by product for the reporting period:

	2020 *RMB'000* **(unaudited)**	*%*	2019 *RMB'000* (audited)	*%*
Cement	**9,264,298**	**86**	10,887,452	86
Clinker	**579,732**	**5**	582,463	5
RMC	**580,809**	**5**	811,946	6
Blast-furnace slag powder	**105,451**	**1**	113,250	1
Others	**293,463**	**3**	213,605	2
	10,823,753	**100**	12,608,716	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 2020, the Group's cost of sales decreased by approximately 14% to RMB6,305.0 million from RMB7,289.6 million in 2019 due to the decrease in the sales quality of cement products.

The gross profit for 2020 was RMB4,518.8 million (2019: RMB5,319.1 million), with a gross profit margin of 42% (2019: 42%). The decrease in gross profit was mainly attributable to the decrease in the sales quality and 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 2020, other income amounted to RMB274.3 million, representing an increase of RMB36.0 million from RMB238.3 million in 2019. The increase in other income was attributable to the increase in government grants.

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, gain on disposal of a leasehold land and loss on disposal/write-off of property, plant and equipment. For 2020, other losses amounted to RMB27.0 million, representing an increase of RMB3.7 million from other losses of RMB23.3 million in 2019. The increase in other losses was principally attributable to the increase in fair value of investment properties and gain on disposal of a leasehold land and the increase in loss on disposal/write-off property, plant and equipment.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2020, the distribution and selling expenses decreased from RMB447.5 million in 2019 to RMB435.6 million in 2020. Mainly attributable to an increase in transportation costs, and a decrease in employee compensation and benefits and handling expenses of cement products during 2020.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses, decreased by approximately 7%, from RMB428.5 million in 2019 to RMB396.6 million in 2020. The decrease was attributable to an increase in which shutdown loss and a decrease in employee compensation and benefits and other general expenses during 2020.

The 49% decrease in finance costs was mainly due to the decrease in bank borrowing compared to 2019.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2020 decreased by RMB663.3 million, constituting a profit of RMB3,686.8 million (2019: profit of RMB4,350.1 million).

Income Tax Expense

In 2020, income tax expense decreased by RMB183.6 million or approximately 16% to RMB936.4 million, from RMB1,120.0 million in 2019.

Non-controlling Interests

In 2020, non-controlling interests amounted to RMB81.7 million, representing an decrease of RMB1.1 million or approximately 1% compared with RMB82.8 million in 2019, primarily due to an decrease in profit contribution from Jiangxi Yadong.

Profit for the Year

For 2020, the net profit of the Group amounted to RMB2,750.4 million, representing an decrease of RMB479.7 million from the profit of RMB3,230.1 million in 2019.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2020. Total assets decreased by approximately 10% to RMB21,634.3 million (31 December 2019: approximately RMB23,985.8 million), while total equity increased by approximately 13% to RMB16,531.2 million (31 December 2019: approximately RMB14,643.0 million).

Restricted Bank Deposits, Bank Balances and Cash

As at 31 December 2020, the Group's restricted bank deposits, bank balances and cash amounted to approximately RMB5,275.6 million (31 December 2019: RMB7,957.1 million), of which approximately 95% was denominated in RMB and approximately 5% 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 RMB4,883.3 million in 2019 to RMB5,017.1 million in 2020.

The Group's cash inflow from investing 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 purchase of note receivables, purchases of property, plant and equipment and purchases of land use rights and the payment of mine reserve fund payable. In 2020, the net cash used in investment activities of the Group amounted to RMB3,434.7 million, representing an increase from RMB216.6 million in 2019.

In 2020, the net cash used in financing activities of the Group amounted to RMB4,249.4 million (2019: RMB1,732.8 million). This was primarily due to repayments of bank borrowings and dividends paid in 2020.

Capital Expenditure

Capital expenditure for the year ended 31 December 2020 amounted to approximately RMB481.2 million (31 December 2019: RMB1,368.5 million), and capital commitments as at 31 December 2020 amounted to approximately RMB38.5 million (31 December 2019: 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 2020 and 2019 are summarized below:

	As at 31 December			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
	(unaudited)		(audited)	
Short-term borrowings	**872,988**	**29**	4,770,215	77
Long-term borrowings	**2,099,171**	**71**	1,444,094	23
Currency denomination				
– RMB	**310,000**	**10**	1,940,000	31
– US dollars	**2,662,159**	**90**	4,274,309	69
Borrowings				
– unsecured	**2,972,159**	**100**	6,214,309	100
Interest rate				
– fixed-rate RMB bank borrowings	**310,000**	**2.98% to 3.30%**	1,940,000	3.60% to 3.85%
– fixed-rate USD bank borrowings	**2,564,285**	**0.91% to 1.05%**	3,778,999	2.49% to 3.73%
– variable-rate USD bank borrowings	**97,874**	**LIBOR plus margin of 0.8% or TAIFX3 plus margin of 0.6%**	495,310	LIBOR plus margin of 1% or TAIFX3 plus margin of 0.6%

As at 31 December 2020, the Group had unutilized credit facilities in the amount of RMB11,275.9 million.

As at 31 December 2020, the Group's gearing ratio was approximately 24% (31 December 2019: 39%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2020 and 2019, respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as at 31 December 2020.

Contingent Liabilities

As at the date of this report and as at 31 December 2020, the Board (the "Board") is not aware of any material contingent liabilities (31 December 2019: Nil).

Human Resources

As at 31 December 2020, the Group had 3,813 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, on 27 April 2008. The Share Option Scheme was expired on 26 April 2018.

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 2020 (31 December 2019: Nil).

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

In 2021, the cement industry is still faced with growing uncertainties, which are elaborated as follows:

First, the government will not relax its policy on property regulation, causing liquidity crunch in the property market. In 2021, regulation will still be based on the principles of "housing is for living, not for speculation" and "implementation of policies according to local conditions". With the promulgation of the "three red lines" regulatory measures, property developers will face massive debt and cash flow issues, and the property industry may face reshuffle and restructuring.

Second, rising clinker imports and increased new clinker production capacity curb product prices. China imported more than 30 million tonnes of clinker in 2020, representing an increase of 59% from that of 2019. It is expected that clinker imports will continue to increase in 2021. In addition, new clinker production capacity amounted to 33.95 million tonnes in 2020, aggravating the overcapacity problem. As such, product price will be greatly affected.

Third, as investment in environmental protection continues to increase, corporate costs also rise simultaneously. The State has been raising environmental protection requirements. Enterprises continue to invest in emission reduction and environmental governance. In addition, the shortage of mine resources and rising costs of various raw material such as coal lead to increase in production costs. All this poses challenges to the cement industry.

Fourth, Chengdu and Wuhan are affected by factors such as uneven distribution of production capacity in surrounding areas and inconsistent implementation of off-peak season production policy. Influx of cement from other provinces and surrounding areas continues to hit the local markets, and affects both the sales volume and price in Chengdu and Wuhan.

(2) Industry Trend

Despite various uncertainties over demand and supply, there are numerous positive factors. Opportunities and challenges coexist in 2021, and the Group maintains a cautiously optimistic attitude. The main positive factors are as follows:

First, the State emphasizes development of its "internal circulation", focusing on supporting "two new-types and one major developments". In 2021, the entire central government will raise more than RMB5 trillion of funds to expand infrastructure investments, with the focus on "two new-types and one major developments" (new-type of infrastructure development, new-type of urbanization and development of major engineering projects for transportation and water conservancy). As such, the outlook for the overall cement demand is positive.

Second, the normalization of off-peak season production is conducive to the industry's stability. The State issued "Notice on Further Normalization of Off-Peak Season Production" (《關於進一步做好水泥常態化錯峰生產的通知》) to promote normalisation (with specified periods and specified areas) of execution of off-peak season production across the country. Such will greatly facilitate the successful implementation of the supply-side structural reform of the cement industry under the "14th Five-Year Plan" in the post-COVID-19 period and high-quality and sustainable development of the cement industry in the future.

Third, the strict reduction of the overall volume or replacement of obsolete capacity is conducive to suppressing newly added capacity and eliminating obsolete capacity. The "Implementation Measures for Capacity Replacement in Cement and Glass Industry (Revised Draft)", which will be implemented in 2021, stipulates prohibition of record-filing and new capacity expansion of cement/clinker projects; the ratio of capacity replacement in key air pollution prevention and control regions is 2:1, while the ratio of capacity replacement in non-key regions is 1.5:1; no capacity replacement is permitted for any production lines that have been suspended for over 2 years, have violated off-peak season production requirement, or have obsolete capacity and have thus been explicitly ordered to be eliminated. These measures safeguard the "prohibition of new production capacity" by addressing the issue at source, thereby providing better solutions to the overcapacity problem.

(3) The Group's Outlook:

The Group predicts that the overall cement market will be stable in 2021, and the industry will be in a plateau phase for a relatively long period. From the demand side, the demand from downstream property sector and rural self-built houses will decrease; however infrastructure sector will continue to grow, so their demand will remain stable. Looking into 2021, cement prices will stay at lower levels from January to February due to seasonal adjustments; with the gradual commencement of major infrastructure projects, it is expected that significant cement demand will begin to release from March to April, and cement prices will gradually rise. Meanwhile, against the backdrop of supply-side structural reform and stricter environmental protection requirements, coupled with the continuous implementation of various measures to reduce production capacity and optimising structure, the trend for the gradual improvement in the supply and demand imbalance in the cement industry will continue. Hence, the Group expects that cement prices will remain high in 2021, with steady fluctuations. After Lunar New Year, cement demand will stabilize following volatility and will maintain strong in the second half of the year. Given that opportunities and challenges coexist, 2021 will be a promising year.

After taking into account the various factors including the impact of the pandemic, economic situation, off-peak season production, environmental control, etc, the Group plans to sell more than 30.54 million tonnes of cement and clinker in 2021, representing an increase of 5.9% from 28.84 million tonnes in 2020.

In view of the changes brought forth by a new era, the Group will continue to adhere to the operational strategies of high efficiency, high quality, high environmental protection, and low cost in 2021. Meanwhile, the Group will strive through innovation, further promoting intelligentized enterprise, digitalization, green development and creating new profit growth drivers. It will embrace its longstanding corporate culture of "Integrity, Diligence, Austerity, Prudence and Innovation". As an ambitious, innovative and sustainable international company with strong fundamentals, Asia Cement (China) 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 RMB51.1 cents per ordinary share in respect of the year ended 31 December 2020, subject to approval by shareholders at the forthcoming annual general meeting of the Company.

Review of Unaudited Annual Consolidated Results

The auditing process for the annual financial statements for the year ended 31 December 2020 has not been completed since the Company's auditors (the "**Auditors**") require more time to obtain further information in relation to the Group's investment in USD Notes. The unaudited annual results contained herein have not been agreed with the Auditors as required under Rule 13.49 (1) and 13.49(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). A further announcement relating to the annual results as agreed with the Auditors and the material differences (if any) as compared with the unaudited annual results contained herein will be made when the auditing process has been completed. The Company expects that an agreement from the Auditors will be obtained on or before 30 April 2021 and a further announcement will be published as and when appropriate.

The unaudited annual results of the Group for the year ended 31 December 2020 have been reviewed by the audit committee of the Company, comprising 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.

Further Announcement(s)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited consolidated annual results for the year ended 31 December 2020 as agreed by the Auditors and the material differences (if any) as compared with the unaudited consolidated annual results contained herein; (ii) the proposed date on which the forthcoming annual general meeting of the shareholders of the Company will be held; and (iii) the period during which the register of members of the Company will be closed in order to ascertain shareholders' eligibility to attend and vote at the forthcoming annual general meeting and determine shareholders' entitlement to the final dividend. In addition, the Company will issue further announcement(s) when necessary if there are other material developments in the completion of the auditing process.

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 2020.

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 of the Company 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 2020.

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 2020.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Publication of Unaudited Annual Results Announcement and Annual Report

This unaudited 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 2020 of the Company will be dispatched to the Company's shareholders and published on the aforesaid websites in due course.

The financial information contained herein in respect of the consolidated annual results of the Group for the year ended 31 December 2020 have not been audited and have not been agreed with the Auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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, 1 April 2021

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.