Asia Cement (China) Holdings Corporation
亞洲水泥(中國)控股公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 743)

ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

SUMMARY

The directors ("**Directors**") of Asia Cement (China) Holdings Corporation ("the **Company**") announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the nine months ended 30 September 2021. This announcement is made as part of the Company's practice to publish its financial results quarterly and pursuant to paragraph 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

The unaudited consolidated profit attributable to owners for the nine months ended 30 September 2021 was approximately RMB1,369.5 million.

The Directors of the Company are making this announcement of the Group's unaudited consolidated results for the nine months ended 30 September 2021 in line with its practice to publish the Group's financial results quarterly and pursuant to paragraph 13.09 of the Listing Rules.

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the nine months ended 30 September	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue	**8,020,583**	7,267,129
Cost of sales	**(5,418,932)**	(4,299,378)
Gross profit	**2,601,651**	2,967,751
Other income	**133,782**	220,088
Other gains and losses	**(68,831)**	(106,723)
Distribution and selling expenses	**(356,792)**	(297,125)
Administrative expenses	**(271,433)**	(317,193)
Share of profits of joint ventures	**5,819**	6,043
Share of losses of associates	**(10,162)**	(4,618)
Finance costs	**(42,470)**	(120,938)
Profit before tax	**1,991,564**	2,347,285
Income tax expenses	**(578,079)**	(667,029)
Profit and total comprehensive income for the period	**1,413,485**	1,680,256
Profit and total comprehensive income for the period attributable to:		
Owners of the Company	**1,369,533**	1,627,448
Non-controlling interests	**43,952**	52,808
	1,413,485	1,680,256
	RMB	*RMB*
Earnings per share:		
Basic	**0.874**	1.039

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	**7,159,291**	7,586,580
Quarry	**967,319**	999,574
Investment properties	**123,247**	123,247
Goodwill	**554,241**	554,241
Other intangible assets	**4,314**	4,822
Interest in joint ventures	**69,191**	60,515
Interest in an associate	**707,862**	718,025
Deferred tax assets	**112,094**	110,571
Right of use assets	**823,026**	802,275
	10,520,585	10,959,850
CURRENT ASSETS		
Inventories	**891,085**	608,368
Trade and other receivables	**2,278,243**	2,385,038
Bill receivable	**1,478,671**	2,401,163
Amount due from an associate	**6,050**	4,224
Financial assets measured at fair value through profit or loss	**64,854**	–
Restricted bank deposits	**312**	–
Bank balances and cash	**6,527,450**	5,275,608
	11,246,665	10,674,401
CURRENT LIABILITIES		
Trade and other payables	**1,160,564**	1,204,170
Contracts liabilities	**304,960**	229,310
Amount due to joint ventures	**24,992**	13,490
Tax payables	**193,141**	494,122
Borrowings – due within one year	**1,724,905**	872,988
Lease liability – current	**6,583**	6,007
	3,415,145	2,820,087
NET CURRENT ASSETS	**7,831,520**	7,854,314
TOTAL ASSETS LESS CURRENT LIABILITIES	**18,352,105**	18,814,164

	As at 30 September 2021 *RMB'000* *(Unaudited)*	As at 31 December 2020 *RMB'000* *(Audited)*
NON-CURRENT LIABILITIES		
Borrowings – due after one year	**1,041,880**	2,099,171
Lease liability	**95,852**	98,428
Deferred tax liabilities	**63,099**	47,176
Provision for environmental restoration	**40,993**	38,161
	1,241,824	2,282,936
NET ASSETS	**17,110,281**	16,531,228
CAPITAL AND RESERVES		
Share capital	**140,390**	140,390
Reserves	**16,577,568**	16,008,693
Equity attributable to owners of the Company	**16,717,958**	16,149,083
Non-controlling interests	**392,323**	382,145
TOTAL EQUITY	**17,110,281**	16,531,228

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the nine months ended 30 September	
	2021 *RMB'000* *(Unaudited)*	2020 *RMB'000* *(Unaudited)*
Net cash from operating activities	**1,584,033**	2,678,896
Net cash used from (used in) investing activities	**750,097**	(155,889)
Net cash used in financing activities	**(1,082,288)**	(931,970)
Net increase in cash and cash equivalents	**1,251,842**	1,591,037
Cash and cash equivalents at beginning of the year	**5,275,608**	7,942,576
Cash and cash equivalents at 30 September	**6,527,450**	9,533,613

The Group's unaudited consolidated results for the nine months ended 30 September 2021 have been prepared in accordance with the same accounting policies adopted by the Group as disclosed in the last annual report for the year ended 31 December 2020.

The Directors do not recommend payment of a dividend in respect of the first nine months of 2021 (2020: Nil).

Business Review and Prospects

In the third quarter of 2021, the national economy continued to recover, and the main macro indicators were within a reasonable range. However, the severe and complex international environment, confirmed cases reported in certain parts of the country, floods and energy issues had hindered economic production, indicating that many uncertainties remained over global economic recovery and the foundation for domestic economic recovery still needed to be further consolidated.

In the first three quarters of 2021, the national gross domestic product ("GDP") increased by 9.8% year-on-year, and rose by 5.2% based on a two-year average growth. The GDP for the third quarter increased by 4.9% year-on-year, and rose by 4.9% based on a two-year average growth. The low base effect behind GDP growth had further weakened. In the first three quarters of 2021, the national fixed asset investment increased by 7.3% year-on-year, and rose by 3.8% based on a two-year average growth; the national infrastructure investment increased by 1.5% year-on-year, and rose by 0.4% based on a two-year average growth; the national property development investment increased by 8.8% year-on-year, and rose by 7.2% based on a two-year average growth; the added value of industries above designated size increased by 11.8% year-on-year,,and rose by 6.4% based on a two-year average growth.

In the first three quarters of 2021, the total national cement output was 1.78 billion tonnes, up by 5.3% from that of the same period of 2020. At the end of the third quarter, the implementation of "Dual Control of Total Energy Consumption and Energy Intensity" and high coal prices had led to the restrictions of electricity and production. It is expected that the national cement output will be suppressed by a certain percentage and the year-on-year growth rate will slow down accordingly in the future.

In the third quarter of the year, the Group's operation in the central and downstream region of the Yangtze River and Sichuan region, being the two major markets in which the Group operated, is as follows:

The market in the central and downstream regions of the Yangtze River: In July, the prices of building materials such as steel, sand and gravel increased sharply; cement demand was suppressed, and the market price remained at low levels during off-peak season. In mid-July, a large number of enterprises along the Yangtze River inspected and overhauled their kiln lines, resulting in a tight downstream cement supply, and the price rebounded. As of early September, the downstream Yangtze River Delta region had seen three rounds of price increase, with a cumulative growth of RMB75-80 per tonne, while Wuhan and Nanchang markets experienced two rounds of price increase, with a cumulative growth of RMB50-70 per tonne. Entering mid-September, a large-scale power rationing policy was implemented in provinces including Jiangsu due to the failure to meet the targets of "Dual Control of Total

Energy Consumption and Energy Intensity". Local supply of cement decreased sharply. This together with the soaring price of domestic coal led to another two rounds of cement price increased in the downstream Yangtze River Delta region, and three rounds of price increased in Wuhan, Nanchang and Jiujiang in mid-October, with a cumulative growth of RMB180-200 per tonne; the cement price in the central and downstream regions of Yangtze River increased sharply to reach record high. During the high demand season in the fourth quarter, coupled with high coal price and implementation of "Dual Control of Total Energy Consumption and Energy Intensity", it is expected that the price will subsequently stay at high levels. However, affected by property market regulation and upsurges in the price of bulk raw materials, market demand will be less than before.

Sichuan region: owing to high temperature and rainy season in July, demand in the Sichuan market was weak. The influx of low-priced cement from Chongqing, Guizhou, and other surrounding areas led to rise in the inventory level of local enterprises. There was a one-off downward adjustment of RMB50 per tonne in the cement price in mid-July. In late August and early September, a central environmental inspection team was sent to Sichuan; this coupled with a price resurge in Chuandong, Chongqing, and other surrounding areas had led to a readjustment in the cement price in Sichuan by RMB50 per tonne. However, recovery in cement demand was curbed by the short supply of sand and gravel resources. In late September, due to a sharp increase in coal price and power and production restrictions in Chongqing, Guizhou and other surrounding areas, cement from outside no longer entered the Sichuan market. As of mid-October, Sichuan region had seen two rounds of price increased, with a growth of RMB200 per tonne. At present, cement price remains high, but cement demand was suppressed by the significant increase in the cost of raw materials. Downstream batching plants and projects intend to slow down construction progress. It remains to be seen whether the price will get support in the future.

In the first three quarters of 2021, the Group's sales of cement and clinker totalled 21.86 million tonnes, representing an increase of 11.9% over the same period last year. Despite the sporadic outbreaks, property regulation, power and production restrictions, etc., the Group remains cautiously optimistic about the development of the cement industry when commenting on the outlook for the fourth quarter:

On the demand side, the cost of bulk raw materials rises sharply, and demand recovery in various regions is not as fast as expected. However, as the first year of the "14th Five-Year Plan", the progress in implementing new infrastructure projects, which are aimed to boost growth, is accelerating, while the scale of national fixed assets investment and infrastructure investment remain relatively large. The aforesaid thus can provide some support to cement demand. The scale of railway infrastructure in the Yangtze River Delta this year is expected to be more than RMB75 billion, and it is expected to reach RMB1 trillion during the "14th Five-Year Plan" period and the total mileage of rail transit in the Yangtze River Delta will reach 22,000 kilometres, with the newly added mileage exceeding 8,000 kilometres; this year China plans to commence the renovation of 53,000 old communities built before the end of 2000, as at the end of July, 42,000 had been renovated; as at the end of July, over 10,000 major water conservancy projects had commenced construction, with a construction rate of 84.7%, and RMB113.1 billion water conservancy investment had been made, with a completion rate of 47.6%.

On the supply side, against the backdrop of rising coal prices this year and power shortages across the country, local governments in various areas have promulgated energy consumption control measures, and imposed electricity consumption and production restriction on high-energy-consuming industries. Specific to the cement industry, construction of new kiln line projects in various regions has been suspended or postponed. At the same time, cement supply has shrunk even more than in previous years, boosting cement prices in various regions to reach record highs. Although the reform of the national power system has been advancing rapidly, the power restriction situation in high-energy-consuming industries may not be alleviated in the short term, since various regions need to ensure electricity supply for people's daily use and heating in the upcoming winter. The trend of high cement prices may continue until December.

In summary, the Group believes that although the demand in the second half of this year may not recover as much as in previous years, supply in the cement industry has shrunk greatly and such situation is not likely to improve in the short term. There is still room for improvement in the fourth quarter's profit level according to the current price. It is estimated that the sales volume of cement and clinker of the Group for the year 2021 will be approximately 30 million tonnes, with a slight increase of 4% over the previous year. In the future, we will continue to improve efficiency, refine management, maintain a high-quality and excellent service brand image, enhance the overall competitiveness of the Group, and implement the corporate culture of "Integrity, Diligence, Austerity, Prudence and Innovation" with actions, thereby further benefiting the Group's future development.

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

Hong Kong, 29 October 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.