Asia Cement (China) Holdings Corporation

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 743)

2014 ANNUAL RESULTS ANNOUNCEMENT

2014 ANNUAL RESULTS HIGHLIGHTS

- Revenue increased by approximately 12% to RMB8,193.7 million (2013: approximately RMB7,330.8 million).
- Profit attributable to owners of the Company decreased by approximately 4% to RMB790.3 million (2013: approximately RMB823.0 million).
- Basic earning per share amounted to RMB0.507 (2013: RMB0.529), representing a decrease of approximately 4%.
- The Board proposed a final dividend of RMB15 cents per share, representing a payout ratio of 30%.

THE FINANCIAL STATEMENTS

Results

The board (the "Board") of directors (the "Directors") of Asia Cement (China) Holdings Corporation (the "Company"), together with its subsidiaries (collectively the "Group"), hereby announces the audited consolidated results of the Group for the year ended 31 December 2014, together with the comparative figures for 2013 as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2014

	NOTES	**2014** *RMB'000*	2013 *RMB'000*
Revenue	*3*	**8,193,716**	7,330,818
Cost of sales		**(6,282,321)**	(5,714,167)
Gross profit		**1,911,395**	1,616,651
Other income	*4*	**161,430**	161,952
Other gains and losses	*5*	**(43,761)**	113,988
Distribution and selling expenses		**(415,017)**	(369,503)
Administrative expenses		**(339,164)**	(261,604)
Finance costs		**(188,151)**	(157,998)
Share of profit of a joint venture		**4,183**	3,600
Share of profit of an associate		**193**	1,938
Profit before tax		**1,091,108**	1,109,024
Income tax expense	*6*	**(278,128)**	(262,720)
Profit for the year	*7*	**812,980**	846,304
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss) gain on available-for-sales investment		**(379)**	379
Fair value gain on a hedging instruments in cash flow hedges		**3,424**	4,239
Total comprehensive income for the year		**816,025**	850,922
Profit for the year attributable to:			
Owners of the Company		**790,313**	823,010
Non-controlling interests		**22,667**	23,294
		812,980	846,304
Total comprehensive income for the year attributable to:			
Owners of the Company		**793,358**	827,628
Non-controlling interests		**22,667**	23,294
		816,025	850,922
Dividend – Proposed final	*8*	**235,028**	233,438
		RMB	RMB
Earnings per share	*9*		
Basic		**0.507**	0.529
Diluted		**0.506**	0.529

Consolidated Statement of Financial Position
At 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**11,364,794**	10,313,948
Quarry		**266,118**	202,355
Prepaid lease payments		**663,148**	584,415
Goodwill		**693,000**	138,759
Other intangible assets		**8,554**	9,726
Interest in a joint venture		**75,613**	31,691
Interest in an associate		**17,113**	16,920
Restricted bank deposits		**25,840**	25,840
Deferred tax assets		**29,766**	27,015
Long term receivables		**22,380**	35,925
Long term prepaid rental		**31,864**	25,094
		13,198,190	11,411,688
CURRENT ASSETS			
Inventories	10	**966,335**	714,262
Long term receivables – due within one year		**20,573**	28,697
Trade and other receivables	11	**3,039,842**	2,722,117
Available-for-sales investments		**–**	99,690
Prepaid lease payments		**18,118**	17,764
Loan to related companies		**437,000**	391,421
Amount due from an associate		**–**	5,297
Restricted bank deposits		**18,347**	3,258
Bank balances and cash		**2,324,584**	1,967,521
		6,824,799	5,950,027
CURRENT LIABILITIES			
Trade and other payables	12	**1,201,699**	783,419
Derivative liabilities		**2,876**	–
Amount due to a joint venture		**6,668**	6,865
Tax payables		**46,874**	103,117
Borrowings – due within one year		**4,804,222**	3,473,494
		6,062,339	4,366,895
NET CURRENT ASSETS		**762,460**	1,583,132
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,960,650**	12,994,820

	NOTE	2014 RMB'000	2013 RMB'000
NON-CURRENT LIABILITIES			
Borrowings – due after one year		**3,814,465**	3,482,953
Derivative liabilities		**–**	6,300
Deferred tax liabilities		**27,839**	18,692
Provision for environmental restoration		**13,212**	9,052
		3,855,516	3,516,997
NET ASSETS		**10,105,134**	9,477,823
CAPITAL AND RESERVES			
Share capital	*13*	**140,390**	139,549
Reserves		**9,690,227**	9,095,800
Equity attributable to owners of the Company		**9,830,617**	9,235,349
Non-controlling interests		**274,517**	242,474
TOTAL EQUITY		**10,105,134**	9,477,823

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Island 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. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Group has applied the following new and revised IFRSs issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") for the first time in the current year:

Amendments to IFRS 10, IFRS 12 and IFRS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Agriculture and Continuation of Hedge Accounting
IFRIC 21	Levies

Except as described below, the application of the new and revised IFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised IFRSs issued but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for first annual IFRS financial statements beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2017
[4] Effective for annual periods beginning on or after 1 July 2014
[5] Effective for annual periods beginning on or after 1 January 2016
[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

3. REVENUE

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

	2014	2013
	RMB'000	*RMB'000*
Sales of cement products and related products	**7,324,517**	6,705,547
Sales of concrete	**869,199**	625,271
	8,193,716	7,330,818

4. OTHER INCOME

	2014	2013
	RMB'000	*RMB'000*
Government grant income	**76,256**	62,514
Transportation fee income	**9,612**	10,524
Sales of scrap materials	**13,534**	9,027
Interest income on bank deposits	**46,197**	60,171
Interest income on held-to-maturity investments	**2,654**	7,570
Rental income, net of outgoings *(note)*	**7,440**	4,740
Others	**5,737**	7,406
	161,430	161,952

Note: The direct operating expenses incurred for generating rental income amount to approximately RMB5,554,000 (2013: RMB2,956,000).

5. OTHER GAINS AND LOSSES

	2014	2013
	RMB'000	*RMB'000*
Exchange (loss) gain, net	**(10,441)**	124,108
Allowance for doubtful debts, net	**(31,974)**	(6,567)
Loss on disposal/write-off of property, plant and equipment	**(1,346)**	(648)
Gain on disposal of held-to-maturity investments	**–**	340
Loss on changes in fair values of held-for-trading investments	**–**	(3,245)
	(43,761)	113,988

6. INCOME TAX EXPENSE

	2014	2013
	RMB'000	*RMB'000*
The tax expense comprises:		
Current tax:		
– PRC enterprise income tax ("EIT")	**283,278**	266,731
Withholding tax paid	**5,314**	1,235
Underprovision in prior years	**(5,337)**	409
Deferred tax	**(5,127)**	(5,655)
	278,128	262,720

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% (2013: ranged from 15% to 25%).

Pursuant to "The Notice of Implement of Transitional Preferential Corporate Income Tax Policy issued by State Council" ("Guo Shui [2013] no. 490"), Sichuan Yadong Cement Co., Ltd. ("Sichuan Yadong") and Sichuan Lanfeng Cement Co., Ltd. ("Sichuan Lanfeng") were granted a tax concession to pay corporate income tax at a preferential rate of 15% in 2014. The tax rate of Sichuan Yadong is 15% in 2013.

Neither provision for Hong Kong Profits Tax nor Singapore income tax has been made in the consolidated statement of comprehensive income as the Group had no assessable profit arising in these jurisdictions for both years.

The Company is not subject to income tax in Cayman Island and any other jurisdiction.

7. PROFIT FOR THE YEAR

	2014	2013
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	**934,710**	716,518
– Prepaid lease payments	**19,295**	17,389
– Quarry	**18,622**	13,297
– Other intangible assets	**5,455**	5,043
	978,082	752,247
Auditors' remuneration	**4,845**	4,830
Staff costs, including directors' remuneration		
Salaries and other benefits	**362,953**	314,463
Retirement benefits scheme contributions	**25,567**	22,344
Total staff costs	**388,520**	336,807
Cost of inventories recognised as expenses	**6,282,321**	5,714,167
Rental payments under operating leases	**41,283**	21,801

8. DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Dividend recognised as distributions during the year:		
2013 Final, paid – RMB15 cents		
(2013: 2012 final dividend RMB10 cents) per share	**233,438**	155,625

A final dividend for the year ended 31 December 2014 of RMB15 cents per share (2013: RMB15 cents per share) amounting to approximately RMB235,027,650 (2013: RMB233,437,500) has been proposed by the Board of Directors 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 annual general meeting.

9. EARNINGS PER SHARE

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

	2014	2013
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic earnings per share (Profit for the year attributable to owners of the Company)	**790,313**	823,010
Earnings for the purposes of diluted earnings per share (Profit for the year attributable to owners of the Company)	**790,313**	823,010
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,559,648**	1,556,250
Effect of diluted potential ordinary shares: Share options issued by the Company	**1,816**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,561,464**	1,556,250

The share options had anti-dilutive effect on the earnings per share for the year ended 31 December 2013 as the average market price of the Company's share was lower than the exercise price of the options.

10. INVENTORIES

	2014	2013
	RMB'000	*RMB'000*
Spare parts and ancillary materials	**378,618**	332,438
Raw materials	**385,348**	282,109
Work in progress	**123,388**	55,851
Finished goods	**78,981**	43,864
	966,335	714,262

11. TRADE AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**1,502,968**	1,205,417
Less: allowance for doubtful debts	**(101,156)**	(69,182)
	1,401,812	1,136,235
Bills receivable	**1,284,071**	1,257,244
	2,685,883	2,393,479
Other receivables	**49,332**	46,550
Less: allowance for doubtful debts	**(2,332)**	(2,332)
	47,000	44,218
	2,732,883	2,437,697
Advances to suppliers	**176,156**	197,988
Deposits	**12,389**	10,489
Prepayments	**12,313**	8,949
Value-added tax recoverable	**106,101**	66,994
	3,039,842	2,722,117

The Group has a policy of allowing a credit period of 30 to 90 days for cement customers and 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 ageing analysis of trade receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	Cements		**Concrete**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
0–90 days	**520,293**	506,496	**228,882**	216,673	**749,175**	723,169
91–180 days	**167,207**	121,988	**182,215**	111,346	**349,422**	233,334
181–365 days	**59,273**	–	**196,944**	131,276	**256,217**	131,276
Over 365 days	**9,397**	–	**37,601**	48,456	**46,998**	48,456
	756,170	628,484	**645,642**	507,751	**1,401,812**	1,136,235

The following is an ageing analysis of bills receivable (trade-related) presented based on the dates of bills issued by the customers at the end of the reporting period:

	Cements		Concrete		Total	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
0–90 days	**917,048**	940,073	**13,579**	63,696	**930,627**	1,003,769
91–180 days	**349,294**	237,191	**3,200**	12,484	**352,494**	249,675
181–365 days	**950**	3,800	**–**	–	**950**	3,800
	1,267,292	1,181,064	**16,779**	76,180	**1,284,071**	1,257,244

12. TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**525,649**	365,237
Bills payable	**–**	12,477
	525,649	377,714
Accruals	**85,970**	91,368
Advances from customers	**98,206**	85,479
Staff wages and welfare payable	**69,420**	56,698
Value added tax payable	**25,379**	40,893
Construction cost payable	**62,890**	59,133
Other tax payable	**111,908**	21,535
Due to original holders of Sichuan Lanfeng	**46,301**	–
Consideration payable for acquisition of a subsidiary	**90,690**	–
Other payables	**85,286**	50,599
	1,201,699	783,419

The following is an ageing analysis of trade and bill payables presented based on the invoice dates at the end of the reporting period:

	2014	2013
	RMB'000	*RMB'000*
0–90 days	**455,247**	326,179
91–180 days	**35,124**	32,265
181–365 days	**27,713**	12,041
Over 365 days	**7,565**	7,229
	525,649	377,714

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 financial statements as *RMB'000*
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2013, 31 December 2013 and 1 January 2014	1,556,250,000	155,625	139,549
Exercise of share option under the Pre-IPO Share Option Scheme	10,601,000	1,060	841
At 31 December 2014	1,566,851,000	156,685	140,390

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

Taking into account the overall situation and capitalising on the macro trend, the Chinese government maintained a prudent macro-economic policy and flexible micro-economic measures in 2014 to strike a proper balance between stable growth and structural adjustment. As such, the national economy continued to achieve steady and quality growth. The GDP growth rate for 2014 was 7.4%, representing a slight decline of 0.1 percentage point as compared to the previous year, while the growth rate of fixed assets investment in China reached 15.7%, a drop of 3.9 percentage points year-on-year. The national property development investment increased by 11.8%, which was 8 percentage points lower than that of the previous year.

In 2014, the government put more emphasis on adjusting the economic structure. The property market gradually shifted from high-speed growth to stable growth. All this had tremendous impact on the cement industry. The national cement output was 2.47 billion tonnes, representing a slight year-on-year increase of 1.8%. The growth rate, which dropped 7.8 percentage points from that of 2013, hit a record low in 24 years. In particular, output decreased for four consecutive months from September to December. This was aggravated by a slowdown in growth of demand, leading to an intensified market competition. Cement price dropped from a higher level since the beginning of the year and hit its bottom in August. Although a rebound was witnessed in September, recovery was weaker than last year. Nonetheless, the industry was moving in a more healthy direction. The government continued to restructure the cement industry through stringent control of new facilities development and acceleration of obsolete capacity elimination. Investment in the cement industry across the country continued to decline (2014: RMB99.8 billion, representing a year-on-year decrease of 16%). Mergers and acquisitions by large enterprises had been increasing, leading to higher industry concentration. Furthermore, as fuel price stayed low, cement enterprises were able to better exercise production cost control. The overall industry earnings for 2014 remained satisfactory.

The Group faced not only a complex domestic and international political-economic landscape, but also a volatile operating environment in 2014. To cope with these challenges, the Group had proactively taken various measures, and thus achieved remarkable results. First, following the inauguration of Jiangxi Yadong No. 6 kiln (with a daily clinker capacity of 6,000 tonnes) in January, the Group acquired the entire equity interest in Sichuan Lanfeng Cement Co., Ltd. (with an annual cement capacity of 5 million tonnes) in April. As a result of the aforesaid initiatives, the Group became the largest cement producer in Chengdu in terms of market share, with an aggregate annual production capacity of 35 million tonnes. Second, the Group adopted proactive and flexible measures to cope with market competitions, by making timely adjustment to its sales strategies in accordance with market changes, creating market niches, developing new markets with higher profitability, expanding the sales volume of high grade and bulk cement, and strengthening end-user management. All these were aimed to further increase the Group's market share in its core markets. Third, the Group capitalised on the seasonal factors of the market to strengthen its production management by arranging repair and maintenance of various kilns the Chinese New Year holiday and the low seasons in July and August. As a result, the operation efficiency of each plant enhanced significantly. Fourth, the Group maintained its high environmental standards and upheld its belief in "industrial development and environmental protection can go hand-in-hand". Its efforts in dust collection, waste utilisation, sewage treatment, mine reclamation, energy-saving and emission reduction (denitration and denitrification) showed remarkable results and gained recognition from the government and specialized organisations. Fifth, the Group continued to adhere to its sophisticated management, implemented centralised management as the administration platform, standardised regulation of subsidiaries' operations, and formulated up-to-date administrative measures. Dedication of managers of all levels and other members of the Group, together with quality products and comprehensive sales network, had enabled the Group to achieve a 12% year-on-year increase in the aggregate sales of cement, clinker and slag powder to 29.98 million tonnes for the year. Although production cost dropped by 2.6%, cement price decreased year-on-year, leading to a less than satisfactory overall profitability of the Group.

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

Item	**2014**	2013	% Change
Cement	**28,302**	25,726	10
Clinker	**1,276**	395	223
Blast-furnace slag powder	**401**	611	(34)
Total	**29,979**	26,732	12

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

Item	**2014**	2013	% Change
Southeastern region	**10,835**	9,759	11
Central region	**7,898**	7,722	2
Southwestern region	**6,929**	5,279	31
Eastern region	**2,640**	2,966	(11)
Total	**28,302**	25,726	10

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

Item	2014 Sales volume	2014 Percentage (%)	2013 Sales volume	2013 Percentage (%)
High grade cement	**21,865**	**77%**	19,874	77%
Low grade cement	**6,437**	**23%**	5,852	23%
Total	**28,302**	**100%**	25,726	100%

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

Item	2014 Sales volume	2014 Percentage (%)	2013 Sales volume	2013 Percentage (%)
Bulk cement	**21,818**	**77%**	19,600	76%
Bagged cement	**6,484**	**23%**	6,126	24%
Total	**28,302**	**100%**	25,726	100%

(1) Central and downstream regions of Yangtze River

The Group’s capacity in this region was 24 million tonnes. Jiangxi Yadong, Huanggang Yadong, Hubei Yadong, Wuhan Yadong and Yangzhou Yadong under the Group were all built by the riverside and could take advantage of the river to expand to other metropolitan cities like Wuhan, Jiujiang, Nanchang, Yangzhou and Shanghai. With good quality and service, the Skyscraper brand cement was chosen to be widely used in major key construction projects, grinding mills and pile plants. During the first half of 2014, market supply pressure was comparatively lower than previous year due to reduced supply of new capacity in the region. This coupled with a more stable competition-cooperation relationship among industry players had resulted in a favourable performance in terms of both quantity and price. However, starting from the third quarter, affected by the negative impact of the gloomy property market, cement demand growth rate hit a record low in recent 10 years. Furthermore, high temperature and rainy weather caused cement price to drop and reach its bottom in mid-August. Since September, except for a short span of time during which prices in different regions rebounded, prices continued to fall in the next few months and dropped by as much as RMB50 to RMB60 per tonne year-on-year. The short-lived price rebound was triggered by a restoration of market confidence over an improved supply-demand relationship as a result of the government’s determined effort to eliminate obsolete production capacity. In 2014, the Group sold a total of 22.93 million tonnes of cement, clinker and slag powder in this region, which was 7% more than 21.41 million tonnes in 2013.

(2) Chengdu region

Compared with 2013, cement demand in Sichuan Province in 2014 rose by 4.6% to approximately 140 million tonnes, which was higher than the national average growth rate but lower than the growth rate of 6.6% in 2013. After acquiring Sichuan Lanfeng (with an annual cement production capacity of 5 million tonnes) in April 2014, the Group had a total cement capacity of 11 million tonnes in Chengdu region and also enjoyed the proximity to Chengdu, which is a large consumer market. Although demand in Chengdu market was huge (about 25 million tonnes in 2014), market competition (in addition to local manufacturers) was aggravated by the supply of cement from surrounding areas as the region's topography allows easy access to the city. Nevertheless, under the auspices of the association, remarkable results were achieved in the elimination of obsolete capacity, energy saving and emission reduction, and merger and acquisition in 2014. Cement price for the full year remained at a relatively high level despite intensified competition. For 2014, the Group sold a total of 7.05 million tonnes of cement, clinker and slag powder in Southwestern region, which was 33% more than the 5.32 million tonnes of cement in 2013.

Table 5: The Group's market share by region and city (%)

Item	**2014**	2013
Jiujiang	**35%**	35%
Nanchang	**26%**	27%
Wuhan	**27%**	27%
Chengdu	**28%**	21%
Yangzhou	**30%**	32%

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 2014, the Group's revenue amounted to RMB8,193.7 million, representing an increase of RMB862.9 million or 12% from RMB7,330.8 million for 2013. The increase in revenue was mainly attributable to the increase of production capacity and sales volume after the commencement of operation of No. 5 and No. 6 new dry process rotary kilns at Jiangxi Yadong Plant and the acquisition of Sichuan Lanfeng during 2014.

Region	**2014** *RMB'000*	*%*	2013 *RMB'000*	*%*
Southeastern region	**2,907,570**	**36**	2,639,836	36
Central region	**2,330,770**	**28**	2,261,428	31
Southwestern region	**2,023,980**	**25**	1,545,514	21
Eastern region	**931,396**	**11**	884,040	12
Total	**8,193,716**	**100**	7,330,818	100

In respect of revenue contribution for 2014, sales of cement accounted for 85% (2013: 89%) and sales of concrete accounted for 11% (2013: 8%). The table below shows the sales breakdown by product during the reporting period:

	2014 *RMB'000*	*%*	2013 *RMB'000*	*%*
Cement	**6,983,580**	**85**	6,506,072	89
Clinker	**252,164**	**3**	72,834	1
RMC	**869,199**	**11**	625,271	8
Blast-furnace slag powder	**88,773**	**1**	126,641	2
Total	**8,193,716**	**100**	7,330,818	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 2014, the Group's cost of sales increased by approximately 10% to RMB6,282.3 million from RMB5,714.2 million for 2013 due to the increase in sales volume of the Group.

The gross profit for 2014 was RMB1,911.4 million (2013: RMB1,616.7 million), with a gross profit margin of 23% (2013: 22%). The increase in gross profit was mainly attributable to (i) the increase in production capacity and sales volume; and (ii) the decrease in coal cost 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 2014, other income amounted to RMB161.4 million, representing a decrease of RMB0.6 million from RMB162.0 million for 2013.

Other Gains and Losses

Other gains and losses mainly comprise net foreign exchange loss, allowance for doubtful debts and loss on disposal/write-off of property, plant and equipment. For 2014, other losses amounted to RMB43.8 million, representing a decrease of RMB157.8 million from the other gains of RMB114.0 million for 2013. The increase in losses was principally attributable to the increase in foreign exchange loss from US dollar-denominated bank borrowings and the increase in allowance for doubtful debts.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2014, the distribution and selling expenses amounted to RMB415.0 million, representing an increase of RMB45.5 million or approximately 12% from RMB369.5 million for 2013. The increase in distribution costs was attributable to the increase in sales volume of cement products in 2014.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses increased by approximately 30%, from RMB261.6 million to RMB339.2 million. The increase was attributable to the increase in headcount and payroll of staff and the expenses incurred for the purpose of expending operation and production capacity.

The 19% increase in finance costs was mainly due to (i) less borrowing costs capitalised during the year since the completion of two new production lines and (ii) an increase in borrowings.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2014 decreased by RMB17.9 million, or approximately 2%, to RMB1,091.1 million from RMB1,109.0 million for 2013.

Income Tax Expenses

In 2014, income tax expenses increased by RMB15.4 million, or approximately 6%, to RMB278.1 million from RMB262.7 million for 2013. The effective tax rate of the Group for 2013 and 2014 was 23.7% and 25.5% respectively.

Non-controlling Interests

In 2014, non-controlling interests amounted to RMB22.7 million, representing a decrease of RMB0.6 million, or approximately 3%, from RMB23.3 million for 2013 primarily due to the decrease in profit contribution from Wuhan Yaxin.

Profit for the Year

For 2014, the net profit of the Group amounted to RMB813.0 million, representing a decrease of RMB33.3 million or approximately 4% from RMB846.3 million for 2013.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial and liquidity position for the year ended 31 December 2014. Total assets increased by approximately 15% to RMB20,023.0 million (31 December 2013: approximately RMB17,361.7 million) while total equity grew by approximately 7% to RMB10,105.1 million (31 December 2013: approximately RMB9,477.8 million).

Restricted Bank Deposits, Bank Balances and Cash

As at 31 December 2014, the Group's restricted bank deposits, bank balances and cash amounted to approximately RMB2,368.8 million (31 December 2013: RMB1,996.6 million) of which about approximately 41% was denominated in RMB and about approximately 59% in United States dollars, with the remainder denominated in Hong Kong dollars and Singapore dollars.

Cash Flow

The Group derives 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 is used primarily for raw material purchases, payment for fuel and power, distribution costs, staff salaries and interest payments. Cash generated from operating activities decreased from RMB1,792.7 million in 2013 to RMB718.2 million in 2014. This was mainly due to the decrease in trade and other payables and increase in inventories.

The Group's cash inflow from investment activities primarily consists of interest income and proceeds from disposal of property, plant and equipment. The Group's cash outflow from investment activities primarily consists of purchases of property, plant and equipment, land use rights and quarry and purchase of held-to-maturity investments. In 2014, the net cash used in investment activities of the Group amounted to RMB1,245.5 million, representing a decrease of 35% from RMB1,929.1 million for 2013. The decrease in cash flow by RMB683.6 million used in investment activities was primarily attributable to less cash used for the purchase of property, plant and equipment after the completion of No. 5 and No. 6 production line of Jiangxi Yadong.

In 2014, the net cash from financing activities of the Group amounted to RMB884.3 million. This was primarily due to an increase in new borrowings in 2014.

Capital Expenditure

Capital expenditure for the year ended 31 December 2014 amounted to approximately RMB709.9 million and capital commitments as at 31 December 2014 amounted to approximately RMB752.9 million. Both the capital expenditure and capital commitments were mainly related to the purchases of plant and equipment for the new production lines. The Group anticipates that funding for those commitments will come from future operating revenue, bank borrowings and other sources of finance when appropriate.

Borrowings

The Group's borrowings as at 31 December 2014 and 2013 are summarised below:

	As at 31 December			
	2014		2013	
	RMB'000	*%*	*RMB'000*	*%*
Short-term borrowings	**4,804,222**	**56**	3,473,494	50
Long-term borrowings	**3,814,465**	**44**	3,482,953	50
Currency denomination				
– Renminbi	**875,503**	**10**	1,671,095	24
– US dollars	**7,743,184**	**90**	5,281,479	76
– Hong Kong dollars	**–**	**0**	3,873	0
Borrowings				
– secured	**–**	**–**	–	–
– unsecured	**8,618,687**	**100**	6,956,447	100
Interest rate structure				
– fixed-rate borrowings	**–**	**–**	586,000	8
– variable-rate borrowings	**8,618,687**	**100**	6,370,447	92
Interest rate				
– fixed-rate borrowings		**N/A**		2.95%
– variable-rate borrowings		**90% to 100% of the Benchmark Interest Rate of the PRC or LIBOR plus margin of 0.1%–3.5%**		90% to 100% of the Benchmark Interest Rate of the PRC or LIBOR plus margin of 0.1%–3.5%

As at 31 December 2014, the Group had unutilised credit facilities in the amount of RMB5,300.0 million.

As at 31 December 2014, the Group's gearing ratio was approximately 50% (31 December 2013: 45%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2014 and 2013 respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as at 31 December 2014.

Contingent Liabilities

As at the date of this announcement and as at 31 December 2014, the Board is not aware of any material contingent liabilities.

Human Resources

As at 31 December 2014, the Group had 4,746 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds scheme according to the applicable laws and regulations of the PRC for its employees in the People's Republic of China ("PRC" or "China") 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 the Pre-IPO Share Option Scheme and 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 in accordance with their past and potential contribution to the growth of the Group. As at 31 December 2014, about 11,578,000 share options were granted under the Pre-IPO Share Option Scheme, in which 10,601,000 share options have been exercised to date. Also, as at 31 December 2014, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

On 16 April 2014, the Company announced that the Sichuan Yadong Cement Co., Ltd, being a non wholly-owned subsidiary of the Company, entered into the Sales and Purchase Agreement with two individual sellers for acquiring 100% of the equity interest in Sichuan Lanfeng Cement Co., Ltd and Sichuan Langfeng Building Materials Co., Ltd at a total estimated consideration of RMB1.0 billion with appropriate adjustments as required. On 30 July 2014, the final total consideration of approximately RMB968 million was agreed. For details, please refer to the announcement of the Company dated 30 July 2014.

Save for the aforesaid, the Group had no other significant investment, material acquisitions or disposals during 2014.

Foreign Exchange Risk Management

The Group's sales and purchases during the reporting period were mostly denominated in Renminbi. However, some of the Group's bank borrowings were denominated in foreign currencies.

RMB is not a freely convertible currency. Future exchange rates of 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 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 the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

2. BUSINESS PROSPECTS

The Central Economic Work Conference held in December 2014 has set the tone for economic policies for 2015 – making progress while maintaining stability. It has also made it clear that China will continue to deepen reform, keep its economic growth rate within a reasonable range, adjust economic growth rate without losing its momentum, increase quantity with better quality and put more emphasis on ecological and environmental protection. 2015 is the final year of China's "12th Five-Year Plan". It is also a crucial year for fulfilling the plans, especially for meeting the energy saving and emission reduction target. For the cement industry, it will be a year full of both opportunities and challenges. It is expected that economic growth rate for the full year will reach 7.0% and fixed asset investments growth rate will be 15%.

In 2015, disparities between supply and demand in the cement industry will be further reduced. In October 2013, the government published "Guiding Opinions of the State Council on Resolving the Conflicts of Serious Overcapacity", pursuant to which all local areas and departments should not establish any new cement project in any name or form. In 2014, the country eliminated obsolete production capacity of 81 million tonnes. It is expected that more than 50 million tonnes will be eliminated in 2015. With respect to new capacity, it is likely that there will not be any net increase. According to the new national standards, 32.5 grade cement will be officially abolished from 1 December 2015. Digital Cement expects that this measure will restrict the production of about 700 million to 800 million tonnes of 32.5 grade cement and accelerate the phase-out of small grinding mills due to increasing costs, thereby further improving industry structure. As the Company is principally engaged in the production and sale of premium high-grade cement, it will benefit greatly from this policy. The central government will persistently promote energy saving and emission reduction as well as ecological and environmental protection, and strive to achieve a blue sky and clean water at full speed. In 2014, the Ministry of Environmental Protection promulgated a series of new emission standards. Severe and stringent environmental protection law enforcement and rising environmental costs for cement enterprises will force certain enterprises out of the market. China's economy has entered a stage of new normal. Although slowdown in investment growth in 2015 is just a probability, favourable factors will continue to build confidence in the industry. The National Development and Reform Commission in 2014 approved infrastructure projects worth of more than RMB1.5 trillion in railway, highway and aviation industries, construction of which will commence or reach its peak in 2015. The Ministry of Housing and Urban-Rural Development has set a target for building 7 million units of affordable housing in 2015. The government will also focus on implementing the major strategies including "One Belt and One Road" as well as "Yangtze River Economic Belt", and continue to carry out rural development and new urbanization. All these measures will create enormous demand for cement. According to Digital Cement's estimation, cement demand in 2015 will grow steadily at a low rate of approximately 2-3%. Information from different sources indicated that coal price will stay at a low level for a long time and cement production costs will not be under great upward pressure. All in all, we expect that, although the cement industry has entered a new normal of low growth rate, improvement in supply-demand balance, transformation and upgrade of cement enterprises and a better cooperation-competition relationship among industry players will all have positive impact. As such, the outlook for the annual results performance of 2015 will be promising.

In 2015, the Group plans to sell an aggregate of over 33 million tonnes of cement, clinker and slag powder, representing a year-on-year increase of 3 million tonnes or 10%.

In 2015, the Group will seize the new opportunities brought by the development of the cement industry. It will innovate its marketing strategy to gain first-mover's advantage, and strengthen the control and management of account receivables to improve its operation efficiency. The Group will continue to dedicate efforts to energy saving, environmental protection, resource recycling and scrap reuse. The Group is also committed to making contribution to society, by establishing a positive relationship with the community and fulfilling its social responsibility as a large corporation. The Group hopes to achieve a total capacity of 40 million tonnes in 2015, and the ultimate target of 50 million tonnes in 2016, and to become one of the top 10 cement groups in China, thereby creating greater value for customers and shareholders. In view of its steady growth track over the past two decades since entering the mainland market, the management is optimistic about and confident in achieving its operation target set for 2015.

Impact of the Completion of Taizhou Silo on Marketing Plans

The silo in Taizhou (with a total storage capacity of 70,000 tonnes and annual cement intermediate storage capacity of 1.5 million tonnes) will commence operation in the first quarter of 2015. It will take full advantage of the golden waterway along the Yangtze River and ship products with large vessels to reduce costs. It is planned that 6000-tonne river-sea vessels will be used to carry products to intermediate points and Shanghai and other coastal areas, while 35,000-50,000-tonne sea vessels will be used to transport products to overseas markets. These will create new distribution channels for the Group's marketing network. Asia Cement has extensive experience in cement export in Taiwan (with a total export volume of 2.1 million tonnes in 2014), with a loyal and stable customer base. Leveraging its rich experience and established clientele, together with the prevailing favourable export price, the Group's export to overseas markets in off season will not only effectively ease inventory pressure of different plants, but also create satisfactory economic benefits, and even earn foreign exchange for the country.

Currently, the Company has high storage and transportation costs for sale to the downstream region of the Yangtze River. In addition, insufficient supply in peak season has often caused inconvenience to customers. The completion of the silo in Taizhou will increase the cost-efficiency in supplying products to the downstream region of the Yangtze River, thereby improving the Company's competitiveness and ability to ensure sufficient supply. With its rich experience in cement development and operation, the Group will be able to achieve a win-win situation for society, government and corporations by establishing a large silo in Taizhou's golden waterway.

2015 Cement Market Trend

Against the backdrop of a new normal of economic development in 2015, cement market demand will continue to grow at a low rate. However, the industry holds a cautiously optimistic attitude towards the trend in 2015. To support environmental protection and actively fulfil their social responsibility, cement enterprises in various regions of the country carried out "off-peak season production scheme" during the Spring Festival period that lasted for two to four months. Such will help regulate the amount of cement available for sale, and hence it is expected that there will not be much supply pressure after the Spring Festival period. The market price in the first half of the year is likely to remain at a level same as that of the fourth quarter in 2014. The infrastructure projects worth of more than RMB1 trillion approved by the government in 2014 will commence construction in the second quarter. This together with the policy on the abolishment of PC 32.5 grade cement will rejuvenate the market. As such, we expect that the market will present an upward tendency from the third quarter and reach a peak in the fourth quarter, and the overall market performance for the full year is likely to be relatively satisfactory.

OTHER INFORMATION

Dividend

In acknowledging continuous support from the Group's shareholders, the Board recommends the payment of a final dividend of RMB15 cents per ordinary share in respect of the year ended 31 December 2014, subject to approval by shareholders at the forthcoming annual general meeting of the Company. The dividend will be payable on 12 June 2015 to shareholders whose names appear on the Register of Member of the Company on 29 May 2015.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 13 May 2015 to Wednesday, 20 May 2015, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 12 May 2015.

Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after close of business at 4:30 p.m. on Friday, 29 May 2015 being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 29 May 2015.

Corporate Governance

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2014, 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 actions 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.

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Liu, Zhen-tao and Mr. Lei, Qian-zhi both the independent non-executive Directors were unable to attend the annual general meeting of the Company held on 16 April 2014 and the extraordinary general meetings of the Company held on 16 April 2014 and 6 August 2014 respectively as they were out of town for other businesses.

Following the resignation of Mr. Lei, Qian-zhi and the passing away of Mr. Liu, Zhen-tao, the number of independent non-executive directors has fallen below one-third of the Board as required under Rule 3.10A of the Listing Rules.

Audit Committee

The Company established the Audit Committee on 27 April 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set forth in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include the review of financial reporting processes and internal control system of the Group. Currently, the Audit Committee comprises Mr. Tsim, Tak-lung Dominic (Chairman), Mr. Hsu, Shu-tong and Dr. Wong Ying-ho Kennedy, all of whom are non-executive Directors and the majority of whom are independent non-executive Directors.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also reviewed auditing, internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2014, together with the management.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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 "Code"). The Company, having made specific enquiry with all Directors, confirms that its Directors had complied with the required standards set out in the Code throughout the year ended 31 December 2014.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.com.hk) and the Company (www.achc.com.cn). The annual report for the financial year ended 31 December 2014 of the Company will be dispatched to the Company's shareholders and published on the aforesaid websites in due course.

Appreciation

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners, bankers and auditors for their support to the Group throughout the period.

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

Hong Kong, 16 March 2015

As at the date of this announcement, the executive Directors are Mr. HSU Shu-ping, Mr. CHANG Tsai-hsiung, Dr. WU Chung-lih, Madam CHIANG SHAO Ruey-huey, Mr. CHANG Chen-kuen and Mr. LIN Seng-chang, the non-executive Director and Chairman is Mr. HSU Shu-tong, the independent non-executive Directors are Mr. TSIM Tak-lung Dominic and Dr. WONG Ying-ho Kennedy.