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Asia Cement (China) Holdings Corporation

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 743)

UNAUDITED RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2015

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 three months ended 31 March 2015. 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 three months ended 31 March 2015 was approximately RMB37,000.

The Directors of the Company are making this announcement of the Group’s unaudited consolidated results for the three months ended 31 March 2015 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 three months ended
31 March

	2015 <i>RMB'000</i> <i>(Unaudited)</i>	2014 <i>RMB'000</i> <i>(Unaudited)</i>
Revenue	1,348,325	1,601,368
Cost of sales	<u>(1,132,783)</u>	<u>(1,216,395)</u>
Gross profit	215,542	384,973
Other income	23,940	32,528
Other gains and losses	(16,329)	(42,872)
Distribution and selling expenses	(89,663)	(82,638)
Administrative expenses	(70,457)	(68,273)
Share of profit of a jointly controlled entity	174	992
Share of profit of an associate	(604)	234
Finance costs	<u>(44,009)</u>	<u>(40,186)</u>
Profit before tax	18,594	184,758
Income tax expenses	<u>(17,122)</u>	<u>(53,781)</u>
Profit for the period	<u>1,472</u>	<u>130,977</u>
Attributable to:		
Owners of the Company	37	125,693
Non-controlling interests	<u>1,435</u>	<u>5,284</u>
	<u>1,472</u>	<u>130,977</u>

Consolidated Statement of Financial Position

	As at 31 March 2015 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2014 <i>RMB'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS		
Property, plant and equipment	11,228,428	11,364,794
Quarry	266,728	266,118
Prepaid lease payments	653,106	663,148
Goodwill	693,000	693,000
Other intangible assets	7,565	8,554
Interest in a joint venture	75,787	75,613
Interest in an associate	16,509	17,113
Restricted bank deposits	25,840	25,840
Deferred tax assets	29,215	29,766
Long term receivables	22,380	22,380
Long term prepaid rental	31,365	31,864
	<u>13,049,923</u>	<u>13,198,190</u>
CURRENT ASSETS		
Inventories	1,046,069	966,335
Long term receivables – due within one year	18,573	20,573
Trade and other receivables	2,986,055	3,039,842
Prepaid lease payments	18,118	18,118
Loan to a related company	432,208	437,000
Amount due from an associate	10,189	–
Restricted bank deposits	2,824	18,347
Bank balances and cash	2,387,856	2,324,584
	<u>6,901,892</u>	<u>6,824,799</u>
CURRENT LIABILITIES		
Trade and other payables	968,736	1,201,699
Amount due to a joint venture	7,640	6,668
Tax payables	18,430	46,874
Derivative liabilities	2,130	2,876
Borrowings – due within one year	3,639,211	4,804,222
	<u>4,636,147</u>	<u>6,062,339</u>
NET CURRENT ASSETS	<u>2,265,745</u>	<u>762,460</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>15,315,668</u>	<u>13,960,650</u>

	As at 31 March 2015 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2014 <i>RMB'000</i> <i>(Audited)</i>
NON-CURRENT LIABILITIES		
Borrowings – due after one year	5,166,885	3,814,465
Deferred tax liabilities	27,381	27,839
Provision for environmental restoration	14,052	13,212
	5,208,318	3,855,516
NET ASSETS	10,107,350	10,105,134
CAPITAL AND RESERVES		
Share capital	140,390	140,390
Reserves	9,691,008	9,690,227
Equity attributable to owners of the Company	9,831,398	9,830,617
Non-controlling interests	275,952	274,517
TOTAL EQUITY	10,107,350	10,105,134

Condensed Consolidated Cash Flow Statement

	For the three months ended 31 March	
	2015 <i>RMB'000</i> <i>(Unaudited)</i>	2014 <i>RMB'000</i> <i>(Unaudited)</i>
Net cash from operating activities	24,053	22,064
Net cash used in investing activities	(75,737)	(852,950)
Net cash from financing activities	114,956	144,270
Net decrease in cash and cash equivalents	63,272	(686,616)
Cash and cash equivalents at beginning of the year	2,324,584	1,967,521
Cash and cash equivalents at 31 March	2,387,856	1,280,905

The Group's unaudited consolidated results for the three months ended 31 March 2015 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 2014.

The Directors do not recommend payment of a dividend in respect of the first three months of 2015 (2014: Nil).

Business Review and Prospects

During the first quarter of 2015, China's economy continued its sluggish growth momentum since 2014. Growth in investment declined, while price of raw materials and industrial products dropped. Adjustment in the economic structure and transformation and upgrade of traditional industries accelerated. There were stricter environmental standards. China's economy has entered a stage of new normal.

Fixed asset investments in the first quarter of 2015 grew by 13.5%, representing a drop of 4.1 percentage points as compared to that of the same period of 2014. The growth rate of property development investment dropped from a two-digit growth to 8.5%, which was 8.3 percentage points lower than that of the same period of 2014. Cement demand was weakened by the dual effect of a declined investment growth and the Chinese New Year. Although industry players had carried out "off-peak season production scheme" in response to energy saving and emission reduction, the implementation was not satisfactory, leading to a disappointing market performance in the first quarter of 2015 when compared to the same period of 2014. In January, cement price in various regions remained stable. However, from February to early March, industry players, who were under inventory pressure, began to lower their product prices to compete for customers, resulting in decrease in cement prices in various regions. The price hit bottom in early March. Entering mid-March, demand rose on better weather conditions. Moreover, the industry also started to reach a consensus on self-discipline. All these helped cement prices in some regions to stop falling and rebound, though marginally. During the first quarter, the Group's total sales volume of cement, clinker and slag powder amounted to 5.52 million tonnes, representing a year-on-year growth of 130,000 tonnes or 2%.

During the period under review, the Group reported an unaudited consolidated revenue of RMB1,348.3 million and the profit attributable to owners of RMB37,000, representing a decrease of 16% and 100% respectively from those of the corresponding period of the previous year. Decrease in revenue and profit attributable to owners was mainly attributable to the decrease in average selling price of the Company's products. The gross profit decreased by 44% to RMB215.5 million and the gross profit margin was 16%, reduced by 8 percentage points from that of the corresponding period of the previous year.

Looking into the next three quarters, the characteristics of a new normal in China will be more notable, with the co-existence of downward pressure, and the transformation, upgrade and optimisation of the market. Although China's economy faces various difficulties, it has enormous resilience and potential. Should the GDP growth rate be maintained at 7% and above, it will demonstrate that the economy is still very dynamic, with promising prospects. To the cement industry, there will be both opportunities and challenges. "The Government Work Report in 2015" mentioned that the central government will continue to implement proactive fiscal policy and prudent monetary policy, and will focus on increasing effective investments, targeting at shanty town redevelopment, railway and hydraulic engineering works. Investments in railway construction projects and major hydraulic engineering works will exceed RMB800 billion respectively, while the construction of 7.4 million units of affordable housing will begin. These together with the redevelopment of different shanty towns, dilapidated urban housing and rural mud-brick houses, as well as construction of rural highways will drive cement demand growth. In addition, the potential for public infrastructure investments in cities extending to lower level administrative divisions such as villages will be colossal under the strategic implementation of the "One Belt and One Road" and "Yangtze River Economic Belt" schemes. All these will contribute a stable and positive outlook for cement demand.

The government is more determined in achieving its targets of low carbon environmental protection as well as energy saving and emission reduction. It will strictly enforce regulations such as "Environmental Protection Law", and push ahead with the implementation of "Air Pollution Prevention and Control Action Plan", to lower the emission of pollutants such as carbon dioxide, sulphur dioxide and nitrogen oxide. With respect to the cement industry, stricter environmental protection and energy reduction requirements under the formal implementation of "Emission Standard of Air Pollutants for Cement Industry" and "Regulatory Requirements for Cement Industry (2015 version)" will accelerate the restructuring of the cement industry. The proportion of production capacity with low efficiency but high energy consumption will further be reduced. Meanwhile, China Cement Association and the industry, in general, are of the view that cement quality standards should be further raised by expediting the complete abolition of 32.5 grade cement, and there should be a fundamental improvement in the quality of concrete and building materials. Meanwhile, as supply of new capacity has been effectively controlled, room for growth in quality cement remains massive. As such, the cement industry under the new normal is still promising.

With warmer temperatures and commencement of infrastructure works, as well as government's relaxation of regulation for the property market by easing policies to support home purchases, the Group expects that market confidence will resume from the second quarter. The Group's silo in Taizhou has commenced operation since the second quarter, which is expected to effectively extend the Group's sales network and market coverage, thereby realising remarkable efficiency. In the third quarter, which is characterised by high temperatures and traditional agricultural peak season, cement price is expected to experience a temporary downward adjustment. However, both sales volume and price are expected to rise to the current year high in the fourth quarter, which is the traditional peak season as construction works are at their peak and bolstered by the favourable effects of the abolition of the PC32.5 grade cement. It is expected that the Group will achieve a satisfactory performance in the fourth quarter.

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

The Group will continue to strive for reform and innovation, to enhance operations, reduce cost, and increase competitiveness. The Group will tighten control and management of accounts receivable days and quality. To solidify its existing leading market position, the Group will adopt flexible marketing strategy. The Group will persevere with strengthening and expanding its existing operations. To rejuvenate the organization, the Group will step up efforts in structural reform and human resources optimization. Moreover, the Group will continue to dedicate itself to environmental protection by meeting industry's high standards for energy consumption and emission, and fulfill its corporate social responsibility by maintaining a friendly relationship with the communities near and surrounding its production facilities. All in all, the Group is optimistic and confident about the outlook for its profitability and meeting its own expectations in the remaining quarters of the year.

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

Hong Kong, 30 April 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, Dr. WONG Ying-ho Kennedy, Mr. WANG Wei and Mr. LEE Kao-chao.