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Asia Cement (China) Holdings Corporation

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 743)

UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

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 2016. 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 loss attributable to owners for the nine months ended 30 September 2016 was approximately RMB40.8 million.

The Directors of the Company are making this announcement of the Group’s unaudited consolidated results for the nine months ended 30 September 2016 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 | |
|--|---|--------------------|
| | 2016 | 2015 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Revenue | 4,338,842 | 4,614,541 |
| Cost of sales | (3,603,842) | (4,003,347) |
| Gross profit | 735,000 | 611,194 |
| Other income | 53,790 | 74,366 |
| Other gains and losses | (62,560) | (251,736) |
| Distribution and selling expenses | (320,267) | (290,844) |
| Administrative expenses | (204,136) | (246,080) |
| Share of profit of jointly controlled entities | 1,578 | 691 |
| Share of profit of associates | 197 | 496 |
| Finance costs | (153,776) | (134,482) |
| Profit (Loss) before tax | 49,826 | (236,395) |
| Income tax expenses | (82,410) | (26,179) |
| Loss for the period | (32,584) | (262,574) |
| Loss for the period attributable to: | | |
| Owners of the Company | (40,759) | (264,009) |
| Non-controlling interests | 8,175 | 1,435 |
| | (32,584) | (262,574) |
| | <i>RMB</i> | <i>RMB</i> |
| Loss per share: | | |
| Basic | (0.026) | (0.168) |
| Diluted | (0.026) | (0.168) |

Consolidated Statement of Financial Position

| | As at 30 September 2016 <i>RMB'000</i> <i>(Unaudited)</i> | As at 31 December 2015 <i>RMB'000</i> <i>(Audited)</i> |
|--|---|--|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 10,314,267 | 10,879,534 |
| Quarry | 254,501 | 256,476 |
| Prepaid lease payments | 738,352 | 640,879 |
| Investment properties | 21,819 | 20,950 |
| Goodwill | 693,000 | 693,000 |
| Other intangible assets | 4,521 | 4,638 |
| Interest in joint ventures | 74,467 | 74,345 |
| Interest in an associate | 17,108 | 17,711 |
| Restricted bank deposits | 29,709 | 29,106 |
| Deferred tax assets | 71,970 | 72,531 |
| Long term prepaid rental | 24,800 | 29,057 |
| | <u>12,244,514</u> | <u>12,718,227</u> |
| CURRENT ASSETS | | |
| Inventories | 670,575 | 740,781 |
| Long term receivables – due within one year | 25,953 | 27,953 |
| Trade and other receivables | 2,003,356 | 2,510,213 |
| Prepaid lease payments | 23,286 | 20,150 |
| Loan to related companies | 467,039 | 456,935 |
| Amount due from an associate | 2,082 | 7,247 |
| Amount due from a joint venture | 40,531 | 36,058 |
| Restricted bank deposits | 3,828 | 4,366 |
| Bank balances and cash | 587,080 | 1,105,250 |
| | <u>3,823,730</u> | <u>4,908,953</u> |
| CURRENT LIABILITIES | | |
| Trade and other payables | 940,631 | 1,041,963 |
| Amount due to a joint venture | 13,345 | 18,160 |
| Amount due to ultimate holding company | – | 828 |
| Tax payables | 26,910 | 10,847 |
| Borrowings – due within one year | 3,384,109 | 3,379,212 |
| | <u>4,364,995</u> | <u>4,451,010</u> |
| NET CURRENT (LIABILITIES) ASSETS | <u>(541,265)</u> | <u>457,943</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>11,703,249</u> | <u>13,176,170</u> |

| | As at 30 September 2016 RMB'000 (Unaudited) | As at 31 December 2015 RMB'000 (Audited) |
|--|--|---|
| NON-CURRENT LIABILITIES | | |
| Borrowings – due after one year | 2,210,412 | 3,565,860 |
| Deferred tax liabilities | 20,642 | 21,170 |
| Provision for environmental restoration | 20,588 | 18,214 |
| | <u>2,251,642</u> | <u>3,605,244</u> |
| NET ASSETS | <u>9,451,607</u> | <u>9,570,926</u> |
| CAPITAL AND RESERVES | | |
| Share capital | 140,390 | 140,390 |
| Reserves | 9,039,850 | 9,158,952 |
| | <u>9,180,240</u> | <u>9,299,342</u> |
| Equity attributable to owners of the Company | 9,180,240 | 9,299,342 |
| Non-controlling interests | 271,367 | 271,584 |
| | <u>271,367</u> | <u>271,584</u> |
| TOTAL EQUITY | <u>9,451,607</u> | <u>9,570,926</u> |

Condensed Consolidated Cash Flow Statement

| | For the nine months ended 30 September | |
|--|---|---|
| | 2016 RMB'000 (Unaudited) | 2015 RMB'000 (Unaudited) |
| Net cash from operating activities | 1,209,275 | 785,547 |
| Net cash used in investing activities | (134,701) | (224,684) |
| Net cash used in financing activities | (1,592,744) | (501,523) |
| | <u>(518,170)</u> | <u>59,340</u> |
| Net (decrease) increase in cash and cash equivalents | (518,170) | 59,340 |
| Cash and cash equivalents at beginning of the year | 1,105,250 | 2,324,584 |
| | <u>1,105,250</u> | <u>2,324,584</u> |
| Cash and cash equivalents at 30 September | <u>587,080</u> | <u>2,383,924</u> |

The Group's unaudited consolidated results for the nine months ended 30 September 2016 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 2015.

The Directors do not recommend payment of a dividend in respect of the first nine months of 2016 (2015: Nil).

Business Review and Prospects

During the third quarter of 2016, the combined effect of deepened reform on supply-side structure and a series of policies to stabilise growth, achieve structural adjustment and improve people's livelihood had resulted in substantial achievement in "eliminating excessive capacity, clearing inventory, deleveraging, reducing costs and shoring up weakness". The new driving factors of economic growth were experiencing rapid growth, supporting the national economy to make progress while maintaining stability. From January to August 2016, the national fixed asset investments increased by 8.1% year-on-year, representing 2.8 percentage points decrease from that of the same period last year. Infrastructure investment increased by 19.7% year-on-year, representing 1.8 percentage points increase from that of the same period last year. Property development investment increased by 5.4% year-on-year, representing an increase of 1.9 percentage points from that of the same period last year.

In view of the steady rise of various investment indicators, especially the rapid growth in infrastructure investment, "shoring up weakness" measures had achieved noticeable results and had positive impact on cement consumption demand. From January to August 2016, the national cement output was 1,540.61 million tonnes, representing an increase of 35.13 million tonnes or 2.3% from 1,505.48 million tonnes of the same period of 2015.

However, in the central and downstream region of the Yangtze River where the Group is located, cement demand was severely affected by flooding resulted from rainy weather in July and the post-disaster recovery and scorching temperatures in August. In addition, the substantial rise in coal prices in July and August pushed up the production costs of clinker and cement. Under such environment, industry peers generally faced operational difficulties. Given the bitter experience, the industry responded to the call of the China Cement Association and implemented energy-saving and emission reduction measures, as well as exercised self-discipline to reduce production since August. Meanwhile, due to G20 summit held in Hangzhou in late August till early September, enterprises in the surrounding areas were mandatory required to restrict production, which greatly reduced cement supply in the downstream region of Yangtze River, thus accelerating the pace at which industry players exercised self-discipline and increasing their willingness to reduce production. Affected by the above-mentioned factors, cement prices began to increase since August. Entering September, as production restriction continued to be imposed on enterprises in certain regions and downstream infrastructure projects commencing construction continued to rise, cement prices kept soaring.

In the Chengdu region, due to the severe imbalance between market supply and demand, various measures could not be effectively implemented despite China Cement Association holding several meetings to call for deepening the supply-side reform to enhance industry profitability. As a result, cement selling prices hovered at low levels. Entering September, with the picking up of market demand, selling price managed to rise slightly, albeit still at relative low levels.

From January to September 2016, the Group sold a total of 22.64 million tonnes of cement products, representing an increase of 1.24 million tonnes or 5.8% from 21.40 million tonnes of the same period of 2015, thus maintaining full disposal of all output. Through the implementation of several cost-efficient measures, the Group overcame the rising prices of raw materials and fuel with noticeable achievement, as reflected in the decrease of 11% in overall cost of cement when compared to that of the same period in 2015. Although the cement market improved markedly in the third quarter, the Group's cement prices decreased 9% year-on-year during the first three quarters. Moreover, due to a significant non-operating loss, the Group still recorded a loss of RMB32.58 million from January to September 2016.

During the period under review, the Group reported an unaudited consolidated revenue of RMB4,338.8 million and the loss attributable to owners of RMB40.8 million. Decrease in net loss was primarily due to (i) the improvement in average selling price of the Company's products and (ii) the decrease in foreign exchange loss from bank borrowings as a result of improving its loan portfolio. The gross profit increased by 20% to RMB735.0 million and the gross profit margin was 17%, improved by 4 percentage points from that of the corresponding period of the previous year.

Looking into the fourth quarter, the Group expects production and sales in the cement industry will be on the rise. From a macro perspective, all kinds of economic indicators have picked up since August, demonstrating the effectiveness of the government policy to maintain steady growth, and it is more obvious that the economy is moving towards a stable development. Experts widely expect that the rate of economic growth in the fourth quarter will be higher than that in the previous three quarters. Recently, the State Council reaffirmed to step up efforts in the implementation of proactive fiscal policy, and sent inspection teams to urge local governments to push ahead with the construction of major infrastructure projects. In addition, property investment and private investment, which had been market concerns, seem to show signs of stabilisation. On the aspect of infrastructure investment, the National Development and Reform Commission recently put forth Public-Private Partnership projects worth RMB2.14 trillion and approved a large number of urban rail transit projects, while infrastructure investment in railway will increase to meet the investment target for the full year. The aforesaid favourable factors will drive growth in cement market demand. According to Digital Cement, it is estimated that the cement market demand in 2016 will slightly increase by 1% to 2% when compared with that in 2015. The growth in demand also helps maintain market confidence. The 2016 China International Cement Conference was held in Beijing in September. The topic of the conference was "Market Consolidation and Innovation Development", emphasizing peer innovation and acceleration in market consolidation, in order to enhance the overall industry profitability. As industry players will be more determined in reaching a consensus on ensuring stability in supply, there will be stronger industry self-discipline and improved regional market coordination. The complete abolition of PC 32.5-grade cement is being carried out in an orderly manner. The above-mentioned factors are beneficial to the industry's moving towards its established goals of "stabilising growth, achieving industry restructuring, and increasing profitability".

In view of the above, we expect that the quantity and price of cement in the fourth quarter will continue the upward trend since September and profits of the whole industry will grow substantially when compared with that of the first three quarters. Regarding the Group, we estimate that the total sales volume of cement products in 2016 will reach 31.40 million tonnes, representing an increase of 1.02 million tonnes or 3.4% from 30.38 million tonnes for 2015.

For the Group, it is clear that even though the market situation is relatively rosy at current stage, in the long run, it is still severe. The problem of serious oversupply in the industry still exists, while low capacity utilisation and poor corporate profit performance will become the norm. The Group will make great efforts not only in lowering costs of procurement, production and transportation but also in reducing receivables and grooming professional and management talents at different levels. At the same time, the Group will continue to put a large amount of resources in environmental protection activities and fulfil its corporate social responsibilities, as well as publish corporate social responsibility reports. All in all, the Group will capitalise on the current favourable situation, to strive to achieve better operating performance and lay a solid foundation for future development, thereby creating greater values for its shareholders, employees, and society.

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

Hong Kong, 28 October 2016

As at the date of this announcement, the executive Directors are Mr. CHANG Tsai-hsiung, Mr. HSU, Shu-ping, 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. LEE Kao-chao, Mr. WANG Wei and Dr. WANG Kuo-ming.