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**Asia Cement (China) Holdings Corporation**

**亞洲水泥(中國)控股公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 743)**

# ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2018


**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 2018. 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 2018 was approximately RMB307.5 million.


The Directors of the Company are making this announcement of the Group's unaudited consolidated results for the three months ended 31 March 2018 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 | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Revenue | **1,949,003** | 1,338,463 |
| Cost of sales | **(1,310,128)** | (1,182,786) |
| Gross profit | **638,875** | 155,677 |
| Other income | **27,898** | 22,473 |
| Other gains and losses | **(4,087)** | 3,027 |
| Distribution and selling expenses | **(101,464)** | (85,504) |
| Administrative expenses | **(71,921)** | (65,703) |
| Share of profits of joint ventures | **1,027** | 419 |
| Share of loss of an associate | **(369)** | (30) |
| Finance costs | **(60,761)** | (88,319) |
| Profit before tax | **429,198** | (57,960) |
| Income tax expenses | **(110,196)** | (11,566) |
| Profit (Loss) for the period | **319,002** | (69,526) |
| Profit (Loss) for the period attributable to: | | |
| Owners of the Company | **307,546** | (69,958) |
| Non-controlling interests | **11,456** | 432 |
| | **319,002** | (69,526) |
| | ***RMB*** | *RMB* |
| Earnings (Loss) per share: | | |
| Basic | **0.196** | (0.045) |
| Diluted | **0.196** | (0.045) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | As at 31 March 2018 *RMB'000* *(Unaudited)* | As at 31 December 2017 *RMB'000* *(Audited)* |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Property, plant and equipment | **9,109,720** | 9,301,776 |
| Quarry | **195,850** | 201,736 |
| Prepaid lease payments | **711,260** | 719,487 |
| Investment properties | **60,391** | 60,391 |
| Goodwill | **693,000** | 693,000 |
| Other intangible assets | **4,121** | 4,414 |
| Interest in joint ventures | **44,799** | 43,772 |
| Interest in an associate | **15,906** | 16,275 |
| Restricted bank deposits | **31,827** | 30,410 |
| Deferred tax assets | **58,199** | 57,474 |
| Long term prepaid rental | **20,119** | 22,000 |
| | **10,945,192** | 11,150,735 |
| **CURRENT ASSETS** | | |
| Inventories | **833,640** | 727,506 |
| Trade and other receivables | **2,957,903** | 2,960,006 |
| Prepaid lease payments | **25,124** | 22,912 |
| Loan to related companies | **546,599** | 546,599 |
| Amount due from an associate | **7,643** | 6,153 |
| Amount due from a joint venture | **49,284** | 49,281 |
| Restricted bank deposits | **5,300** | 6,548 |
| Bank balances and cash | **1,115,749** | 940,247 |
| | **5,541,242** | 5,259,252 |
| **CURRENT LIABILITIES** | | |
| Trade and other payables | **902,417** | 1,011,148 |
| Amount due to joint ventures | **35,366** | 24,216 |
| Tax payables | **178,519** | 208,474 |
| Borrowings – due within one year | **2,364,544** | 2,991,361 |
| | **3,480,846** | 4,235,199 |
| **NET CURRENT ASSETS** | **2,060,396** | 1,024,053 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **13,005,588** | 12,174,788 |

| | As at 31 March 2018 RMB'000 (Unaudited) | As at 31 December 2017 RMB'000 (Audited) |
|---|---|---|
| **NON-CURRENT LIABILITIES** | | |
| Borrowings – due after one year | **2,429,000** | 1,911,998 |
| Deferred tax liabilities | **19,731** | 25,636 |
| Provision for environmental restoration | **27,469** | 26,770 |
| | **2,476,200** | 1,964,404 |
| **NET ASSETS** | **10,529,388** | 10,210,384 |
| **CAPITAL AND RESERVES** | | |
| Share capital | **140,390** | 140,390 |
| Reserves | **10,077,088** | 9,769,542 |
| Equity attributable to owners of the Company | **10,217,478** | 9,909,932 |
| Non-controlling interests | **311,910** | 300,452 |
| **TOTAL EQUITY** | **10,529,388** | 10,210,384 |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | For the three months ended 31 March | |
|---|---|---|
| | 2018 RMB'000 (Unaudited) | 2017 RMB'000 (Unaudited) |
| Net cash from operating activities | **353,863** | 24,709 |
| Net cash used in investing activities | **(7,785)** | (62,671) |
| Net cash (used in) from financing activities | **(170,576)** | 27,651 |
| Net increase (decrease) in cash and cash equivalents | **175,502** | (10,311) |
| Cash and cash equivalents at beginning of the year | **940,247** | 533,420 |
| Cash and cash equivalents at 31 March | **1,115,749** | 523,109 |

The Group's unaudited consolidated results for the three months ended 31 March 2018 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 2017.

The Directors do not recommend payment of a dividend in respect of the first three months of 2018 (2017: Nil).

**Business Review and Prospects**

The economic growth in 2017 was driven by factors including supply-side reform, property investment, infrastructure investment and improvement of net exports. These factors continued to be the growth momentum for the first quarter of 2018. GDP growth in the first quarter of 2018 was 6.8%, slightly higher than that of the same period in 2017. The macro-economy remained to grow within a reasonable range of medium- to high-speed rate. Total fixed assets investment in the first quarter increased by 7.5 per cent year-on-year, and property development investment increased by 10.4 per cent year-on-year.

The period from January to February is the traditional low season for the cement industry, during which market demand in general will significantly reduce, leading to intensified competition and price decline. From January to February in 2018, the national cement production volume amounted to 220 million tonnes, down by 7.3 per cent as compared to that of the same period in 2017. However, in spite of decreased cement output, the nation's clinker production volume reached 160 million tonnes, up by 6.7 per cent when compared to that of the same period in 2017. Moreover, from January to February, there was no significant decline in clinker price even though inventories increased. As such, industry players were generally optimistic about the upcoming market conditions. Meanwhile, self-discipline among industry players was strengthened and off-peak season production was strictly implemented. Cement price in January and February fluctuated less than that in 2017. Into the end of March, market demand rebounded, driving down cement inventory. The market in central and downstream regions of the Yangtze River had bottomed out and began to pick up. Price in the Sichuan region hovered at a high level while maintaining growth of varying degrees. Driven by the two growth engines of off-peak and demand, the outlook for the full year is relatively positive.

While proactively complying with the government and the industry association's policies and working towards a consensus on self-discipline, the Group had taken various measures to actively explore its potential and enhance capacity utilization rate. The Group's sales volume of cement products in the first quarter of 2018 was 5.86 million tonnes, representing an increase of 100,000 tonnes or 1.7 per cent from 5.76 million tonnes for the corresponding period of 2017.

The year of 2018 is an important year for materializing the spirit of the 19th CPC National Congress and for the economy to switch to high-quality development. With the continued implementation of the government's reform measures to "adjust structure, eliminate excess capacity, and shore up weakness", the cement industry faces the challenges of further innovation and transformation. However, the Group believes that the cement market is still promising and our confidence comes from the following:

First, the overall demand-side is stable. 1) 2018 is the first year that China embarks on the development of a world-leading, strong transport network. According to some rough statistics, more than 20 provinces and cities have announced their plans for transportation investments, with a cumulative amount of more than RMB2 trillion. Of the investment plans, Sichuan's exceeded RMB100 billion, Hubei's reached RMB85 billion, and Jiangxi's also surpassed RMB60 billion. The construction of an integrated, systematic, and pivot-focused transport system will tremendously benefit the cement industry. 2) The current round of austerity measures over the property market has been implemented for a year. With the adjustment of secondary home prices, pent-up demand is gradually released and buyers who wish to improve living conditions no longer take a wait-and-see approach. Housing sales in cities of various tiers soared in the first quarter, property development investment in the country also exceeded expectations. 3) With the acceleration of urbanization, the development of conurbations and exotic towns will speed up. As demand for large-scale urban markets tends to become saturated, improvement in and strengthening of the foundation of class one infrastructure of villages and towns will create new market growth drivers.

Second, the elimination of obsolete and excess capacity, enhancement in energy saving and environmental protection, strengthened self-discipline among industry players and off-peak season production are conducive to stable growth in economic benefits for the cement industry. On 2 April, the "2018 Roundtable Meeting for Leaders of Large-scale Cement Enterprises in China (C12+3 Summit)" was held in Tianjin. The meeting proposed the theme of "elimination of obsolete capacities, structural optimization and resources allocation; strengthening of self-discipline among industry players; efficiency enhancement and quality development". The meeting put forward that off-peak season production should be deepened. With regard to operation of production lines through coordinated cement kilns, it is imperative to establish a relatively effective mechanism for imposing actual restrictions, enabling off-peak season production to be institutionalised, systematized, strengthened and legitimized and gradually achieving capacity elimination through temporary output reduction. Efforts to establish an industry self-discipline mechanism across different regions must be stepped up, thereby maintaining price stability across markets in different regions.

The formal implementation of the VAT reduction policy in manufacturing, transportation, construction and other industries will help companies reduce their tax burden and increase profits. The State Council's meeting proposed that on the basis of the implementation of "replacement of business tax with value-added tax" in the past five years, the value-added tax rate of the manufacturing industry will be reduced from 17% to 16%, and the value-added tax rate of transportation, construction and other industries will decrease from 11% to 10% starting 1 May 2018. The reduction of corporate tax costs will directly lead to the growth of benefits.

The Group expected that with the gradual implementation of various policies, increased new construction of infrastructure projects and the normalization of off-peak season production, the cement market price is expected to continue to rise in the second quarter. The Group will strive to explore its potential to reduce costs, increase the operational efficiency of equipment, strengthen internal management, to achieve disposal of all output. It is expected that the sales volume of the Group's cement products in the first half of the year could reach 14 million tonnes, up from 2017. All in all, the Group's management has complete confidence in the State, industry reform, transformation, advancement and development, and is optimistic about the Group's achieving its set profit target.

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

Hong Kong, 30 April 2018

*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. WANG Wei, Mr. LEE Kao-chao and Dr. WANG Kuo-ming.*