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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 2020**

#### **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 2020. 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 2020 was approximately RMB210.1 million.

The Directors of the Company are making this announcement of the Group’s unaudited consolidated results for the three months ended 31 March 2020 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

	<b>For the three months ended</b>	
	<b>31 March</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Revenue	<b>1,287,289</b>	2,512,733
Cost of sales	<b>(728,734)</b>	(1,527,604)
Gross profit	<b>558,555</b>	985,129
Other income	<b>57,321</b>	47,766
Other gains and losses	<b>(139)</b>	(1,922)
Distribution and selling expenses	<b>(63,299)</b>	(98,811)
Administrative expenses	<b>(185,133)</b>	(111,610)
Share of profits of joint ventures	<b>244</b>	833
Share of losses of associates	<b>(2,330)</b>	(650)
Finance costs	<b>(52,987)</b>	(67,245)
Profit before tax	<b>312,232</b>	753,490
Income tax expenses	<b>(92,163)</b>	(171,252)
Profit and total comprehensive income for the period	<b>220,069</b>	582,238
Profit and total comprehensive income for the period attributable to:		
Owners of the Company	<b>210,057</b>	568,201
Non-controlling interests	<b>10,012</b>	14,037
	<b>220,069</b>	582,238
	<b>RMB</b>	RMB
Earnings per share:		
Basic	<b>0.134</b>	0.363

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at <b>31 March</b> <b>2020</b> <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2019 <i>RMB'000</i> <i>(Audited)</i>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	7,918,138	8,077,172
Quarry	950,720	964,761
Investment properties	121,067	82,420
Goodwill	554,241	554,241
Other intangible assets	4,738	3,571
Interest in joint ventures	54,405	56,491
Interest in an associate	725,122	725,122
Restricted bank deposits	1,623	–
Deferred tax assets	97,667	82,222
Right of use assets	811,559	819,682
	<b>11,239,280</b>	11,365,682
<b>CURRENT ASSETS</b>		
Inventories	802,961	674,380
Trade and other receivables	3,078,970	3,962,640
Amount due from an associate	12,606	15,959
Amount due from a joint venture	10,014	10,014
Restricted bank deposits	2,882	14,503
Bank balances and cash	10,582,717	7,942,576
	<b>14,490,150</b>	12,620,072
<b>CURRENT LIABILITIES</b>		
Trade and other payables	1,807,405	2,174,123
Contracts liabilities	168,286	185,525
Amount due to joint ventures	26,049	5,563
Tax payables	146,402	555,414
Borrowings – due within one year	4,387,478	4,770,215
Lease liability – current	3,689	4,512
	<b>6,539,309</b>	7,695,352
<b>NET CURRENT ASSETS</b>	<b>7,950,841</b>	4,924,720
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>19,190,121</b>	16,290,402

	<b>As at 31 March 2020 RMB'000 (Unaudited)</b>	<b>As at 31 December 2019 RMB'000 (Audited)</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings – due after one year	4,104,512	1,444,094
Lease liability	97,627	96,025
Deferred tax liabilities	89,207	70,555
Provision for environmental restoration	35,714	36,734
	<u>4,327,060</u>	<u>1,647,408</u>
<b>NET ASSETS</b>	<u><b>14,863,061</b></u>	<u>14,642,994</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	140,390	140,390
Reserves	14,333,468	14,123,411
	<u>14,473,858</u>	<u>14,263,801</u>
Equity attributable to owners of the Company	14,473,858	14,263,801
Non-controlling interests	389,203	379,193
	<u>14,863,061</u>	<u>14,642,994</u>
<b>TOTAL EQUITY</b>	<u><b>14,863,061</b></u>	<u>14,642,994</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>For the three months ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net cash from operating activities	447,038	913,267
Net cash (used in) from investing activities	(20,176)	410,100
Net cash from (used in) financing activities	2,213,279	(804,719)
	<u>2,640,141</u>	<u>518,648</u>
Net increase in cash and cash equivalents	2,640,141	518,648
Cash and cash equivalents at beginning of the year	7,942,576	5,008,691
	<u>10,582,717</u>	<u>5,527,339</u>
Cash and cash equivalents at 31 March	<u><b>10,582,717</b></u>	<u>5,527,339</u>

The Group's unaudited consolidated results for the three months ended 31 March 2020 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 2019.

The Directors do not recommend payment of a dividend in respect of the first three months of 2020 (2019: Nil).

### **Business Review and Prospects**

In the first quarter of 2020, the outbreak of the novel coronavirus pneumonia epidemic has caused a great impact on China's economy, with decline in major economic indicators. There has been significant decrease in the industrial, investment and consumption sectors. But from a general perspective, the impact of the epidemic will not last for a long time and the outbreak will not affect the fundamentals of the economy. The competitive edges of China's mammoth economy, strong economic resilience and the overall supply and demand relationship have not changed. With the interruption of the local virus chain of transmission in China and the acceleration of enterprises' resumption of work and production, the national economy will gradually recover. In the first quarter of 2020, the national GDP was 20,650.4 billion, down by 6.8% from that of the same period of last year. The fixed asset investment of China decreased by 16.1% year-on-year, the national infrastructure investment decreased by 19.7% year-on-year and the national property development investment decreased by 7.7% year-on-year.

Affected by the Spring Festival and the epidemic, the cement production in various regions across the country generally declined from January to March this year. In the first quarter of 2020, the national cement output was 299 million tonnes, down by 23.9% from that of the same period of 2019.

In response to the outbreak, the Group actively prepared for and carried out prevention and control measures across the board. All subsidiaries strictly carried out disinfection measures, closed off factory areas, implemented temperature checks for all employees and dormitory isolation management, remote intelligent office for employees and other control measures, striving to minimize the negative impact of the epidemic. After the outbreak situation had calmed down and enterprises in various regions had gradually resumed work, the Group timely formulated marketing policies to actively recover its market share, while strictly controlling accounts receivable.

In the first quarter of 2020, the sales volume of the Group's cement products (cement and clinker) amounted to 3.04 million tonnes, down by 3.27 million tonnes or 52% from 6.31 million tonnes in the same period of 2019. The epidemic had affected the recovery of demand after the Spring Festival, but under the effective operation of market prices and continuous cost control, the Group was able to achieve profitability in the first quarter. As at the beginning of April, the Group's dispatch of goods had returned to normal levels except for Hubei, where about 60% of the normal delivery rate had been achieved in the Hubei area; it is expected to return to normal by the end of April.

2020 is the last year for building a moderately prosperous society in all aspects and for the 13th Five-year Plan. Although the economy has been affected by the epidemic to certain degree, China has survived the most difficult and arduous periods. Enterprises continue to resume work and production, while economic activities return to normal levels at accelerating rate. The impact of the epidemic has yet to change the basic trend of China's stable and positive economic development and long-term positive economic development. With the gradual recovery of the economy and the continuous promotion of supply-side structural reform, the cement industry is also facing opportunities and challenges. In 2020, the Group still has great potential.

First, with the continuous promotion of the nation's "shoring up and strengthening the weak growth areas", infrastructure construction will further stimulate the growth of cement demand. Under the impact of the epidemic, infrastructure investment, being used as one of the pivotal counter-cyclical measures, gradually accelerates, and "new infrastructure" investment is expected to play an important role in boosting economic growth. According to statistics, as at the beginning of March, the scale of infrastructure projects approved by the National Development and Reform Commission has reached RMB228.6 billion, which was RMB93 billion more than that of the same period last year and up by 68.6% year-on-year. When the outbreak ends, the government will increase investment in public health services and emergency materials support, and the country will continue to push forward with urban renewal and urbanization construction, providing solid support for stable cement demand throughout the year.

Second, the continuous refinement and improvement of off-peak season production policy in the cement industry is conducive to the continuation of strict control over supply. 2020 is the last year for the three-year action plan aims for blue skies. The environmental protection management and control measures curb cement supply. With further guidance from the Ministry of Industry and Information Technology on off-peak season production of the cement industry, the off-peak season production mechanism will continue to improve and a balanced cement supply and demand relationship will continue to be maintained.

Third, the cement industry concentration level is rising year by year, and the bargaining power of the industry is also increasing. In recent years, mergers and reorganization have continued to take place in the cement industry. Up to 2018, the concentration of the top 10 cement companies in terms of clinker production capacity had reached 64%. The concentration of leading companies is high, which will lead to enhancement of the bargaining power of the cement industry. It is expected that the industry concentration will remain at a high and stable level in 2020, and the capacity utilization rate will continue to improve; the industry boom cycle will be longer than before.

The Group expects that in the second quarter, production and normal life in Mainland China will gradually be restored, and there will be a notable growth in cement demand when compared with the previous quarter; “increases in both sales volume and price” are likely to be seen. The Group will remain committed to exploring and exploiting potential to reduce costs, and continue to promote corporate informatization and intelligent transformation, in order to enhance the overall competitiveness of the Group. The Group’s goods delivery is expected to return to a normal level by the end of April. In view of the epidemic prevention and control process, the national economic trend and the industry and market movements, the Group’s management is confident in achieving its expected profit targets.

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

Hong Kong, 29 April 2020

*As at the date of this announcement, the executive Directors are Mr. HSU Shu-ping, Mr. CHANG Tsai-hsiung, Dr. WU Chung-lih, Mr. CHANG Chen-kuen, Mr. LIN Seng-chang and Ms. WU Ling-ling, the non-executive Director and Chairman is Mr. HSU Shu-tong, the independent non-executive Directors are Mr. TSIM Tak-lung Dominic, Mr. WANG Wei, Mr. LEE Kao-chao and Dr. WANG Kuo-ming.*