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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

Revenue increased by 23% to approximately RMB5,300.9 million (2020: approximately RMB4,314.0 million).

Profit attributable to owners of the Company was RMB1,073.4 million (2020: Profit attributable to owners of the Company was approximately RMB878.4 million). The increase in profit attributable to owners of the Company was mainly attributable to the increase in the sales volume of the Company's products.

Basic earning per share amounted to RMB0.685 (2020: Basic earning per share RMB0.561).

INTERIM 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 unaudited condensed consolidated interim results for the six months ended 30 June 2021 together with comparative figures for the corresponding period in 2020. These interim condensed consolidated financial statements for the six months ended 30 June 2021 have not been audited, but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Notes	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	3	5,300,944	4,314,031
Cost of sales		(3,427,808)	(2,527,874)
Gross profit		1,873,136	1,786,157
Other income	5	89,429	132,466
Other gains and losses	6	(49,808)	(58,724)
Distribution and selling expenses		(233,000)	(178,617)
Administrative expenses		(143,842)	(250,670)
Share of profits of joint ventures		3,823	4,239
Share of losses of associates		(5,408)	(3,108)
Finance costs		(21,408)	(95,184)
Profit before tax		1,512,922	1,336,559
Income tax expense	7	406,526	426,947
Profit for the period	8	1,106,396	909,612
Profit for the period attributable to:			
Owners of the Company		1,073,434	878,414
Non-controlling interests		32,962	31,198
		1,106,396	909,612
		RMB	RMB
Earnings per share:	10		
Basic		0.685	0.561

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		As at 30 June 2021	As at 31 December 2020
	<i>Notes</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	7,298,541	7,586,580
Quarry	12	968,564	999,574
Right-of-use assets		832,436	802,275
Investment properties		123,247	123,247
Goodwill		554,241	554,241
Other intangible assets		4,074	4,822
Interests in joint ventures		68,839	60,515
Interests in associates		712,616	718,025
Deferred tax assets		118,924	110,571
		10,681,482	10,959,850
CURRENT ASSETS			
Inventories	13	816,477	608,368
Trade and other receivables	14	2,124,431	2,385,038
Bill receivable		2,377,317	2,401,163
Amount due from an associate		4,043	4,224
Financial assets measured at fair value through profit or loss		64,601	–
Restricted bank deposits		2,000	–
Bank balances and cash		7,115,874	5,275,608
		12,504,743	10,674,401
CURRENT LIABILITIES			
Trade and other payables	15	1,129,929	1,204,170
Amount due to a joint venture		27,259	13,490
Tax payables		158,882	494,122
Borrowings – due within one year		2,563,307	872,988
Lease Liabilities		6,705	6,007
Contract Liabilities	16	152,301	229,310
		4,038,383	2,820,087
NET CURRENT ASSETS		8,466,360	7,854,314
TOTAL ASSETS LESS CURRENT LIABILITIES		19,147,842	18,814,164

	As at 30 June 2021	As at 31 December 2020
<i>Notes</i>	RMB'000 (unaudited)	RMB'000 (audited)
NON-CURRENT LIABILITIES		
Borrowings – due after one year	2,149,720	2,099,171
Deferred tax liabilities	60,016	47,176
Lease Liabilities	96,947	98,428
Provision for environmental restoration	37,967	38,161
	<u>2,344,650</u>	<u>2,282,936</u>
NET ASSETS	<u>16,803,192</u>	<u>16,531,228</u>
CAPITAL AND RESERVES		
Share capital	<i>17</i> 140,390	140,390
Share premium and reserves	16,281,466	16,008,693
Equity attributable to owners of the Company	16,421,856	16,149,083
Non-controlling interests	381,336	382,145
TOTAL EQUITY	<u>16,803,192</u>	<u>16,531,228</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2021

	Attributable to owners of the Company						Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Special reserve RMB'000	Retained profits RMB'000			
At 1 January 2020 (audited)	140,390	2,092,147	2,310,346	286,038	1,635,906	7,798,974	14,263,801	379,193	14,642,994
Profit for the period	-	-	-	-	-	878,414	878,414	31,198	909,612
Appropriation	-	-	767,373	-	-	(767,373)	-	-	-
Dividends recognised as distribution	-	(783,426)	-	-	-	-	(783,426)	-	(783,426)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(78,748)	(78,748)
At 30 June 2020 (unaudited)	<u>140,390</u>	<u>1,308,721</u>	<u>3,077,719</u>	<u>286,038</u>	<u>1,635,906</u>	<u>7,910,015</u>	<u>14,358,789</u>	<u>331,643</u>	<u>14,690,432</u>
At 1 January 2021 (audited)	140,390	1,308,721	3,077,719	286,038	1,635,906	9,700,309	16,149,083	382,145	16,531,228
Profit for the period	-	-	-	-	-	1,073,434	1,073,434	32,962	1,106,396
Appropriation	-	-	654,986	-	-	(654,986)	-	-	-
Dividends recognised as distribution	-	(800,661)	-	-	-	-	(800,661)	-	(800,661)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(33,771)	(33,771)
At 30 June 2021 (unaudited)	<u>140,390</u>	<u>508,060</u>	<u>3,732,705</u>	<u>286,038</u>	<u>1,635,906</u>	<u>10,118,757</u>	<u>16,421,856</u>	<u>381,336</u>	<u>16,803,192</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	928,245	1,519,984
Net cash from (used in) investing activities	26,993	(21,295)
Net cash from (used in) financing activities	885,028	(284,621)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	1,840,266	1,214,068
Cash and cash equivalents at beginning of the period	5,275,608	7,942,576
	<hr/>	<hr/>
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u>7,115,874</u>	<u>9,156,644</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with International Accounting Standard 34 (“IAS 34”), “Interim Financial Reporting”.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020.

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the international Accounting Standard Board that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions*
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosure set out in these condensed consolidated financial statements.

3. REVENUE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of cement products and related products	5,141,531	4,068,386
Sales of concrete	159,413	245,645
	<u>5,300,944</u>	<u>4,314,031</u>

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

Six months ended 30 June 2021 (unaudited)

	Cement business	Concrete business	Total	Elimination	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE					
External sales	5,141,531	159,413	5,300,944	–	5,300,944
Inter-segment sales	<u>60,301</u>	<u>–</u>	<u>60,301</u>	<u>(60,301)</u>	<u>–</u>
Total	<u>5,201,832</u>	<u>159,413</u>	<u>5,361,245</u>	<u>(60,301)</u>	<u>5,300,944</u>
RESULT					
Segment result	<u>1,408,550</u>	<u>(45,021)</u>	<u>1,363,529</u>	<u>–</u>	1,363,529
Unallocated income					193,226
Central administration costs, Directors' salaries and other unallocated expense					(20,840)
Share of profits of joint ventures					3,823
Share of losses of associates					(5,408)
Finance costs					<u>(21,408)</u>
Profit before tax					<u>1,512,922</u>

Six months ended 30 June 2020 (unaudited)

	Cement business <i>RMB'000</i>	Concrete business <i>RMB'000</i>	Total <i>RMB'000</i>	Elimination <i>RMB'000</i>	Consolidated <i>RMB'000</i>
REVENUE					
External sales	4,068,386	245,645	4,314,031	–	4,314,031
Inter-segment sales	<u>73,862</u>	<u>–</u>	<u>73,862</u>	<u>(73,862)</u>	<u>–</u>
Total	<u>4,142,248</u>	<u>245,645</u>	<u>4,387,893</u>	<u>(73,862)</u>	<u>4,314,031</u>
RESULT					
Segment result	<u>1,415,054</u>	<u>(35,236)</u>	<u>1,379,818</u>	<u>–</u>	1,379,818
Unallocated income					114,047
Central administration costs, Directors' salaries and other unallocated expense					(63,253)
Share of profits of joint ventures					4,239
Share of losses of associates					(3,108)
Finance costs					<u>(95,184)</u>
Profit before tax					<u>1,336,559</u>

Segment result represents the profit earned (loss incurred) by each segment without allocation of central administration costs, directors' salaries, share of results of joint ventures and associate, investment income and financial costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Inter-segment sales were charged at market price or where no market price was available at cost plus a percentage mark-up.

5. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Government grant	16,112	23,864
Transportation fee income	911	639
Sales of scrap materials	7,001	5,142
Interest income on bank deposits	64,042	100,413
Rental income, net of outgoings	1,363	2,408
Others	<u>–</u>	<u>–</u>
	<u>89,429</u>	<u>132,466</u>

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Allowance for doubtful debts, net	(33,348)	(58,019)
Exchange (loss) gain, net	(12,779)	1,228
Loss on disposal of property, plant and equipment	(3,681)	(1,933)
	<u>(49,808)</u>	<u>(58,724)</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
— PRC Enterprise Income Tax (“EIT”)	397,496	444,933
Withholding tax paid	—	—
Underprovision (overprovision) in prior years	4,542	9,438
Deferred tax credit	4,488	(27,424)
	<u>406,526</u>	<u>426,947</u>

For the six months ended 30 June 2021 and 2020, the relevant tax rates for the Group’s subsidiaries in the PRC ranged from 15% to 25% and 15% to 25%, respectively.

No provision for Hong Kong Profits Tax and Singapore income tax has been made in the condensed consolidated statement of comprehensive income as the Group had no assessable profit arising in these jurisdictions for the six months ended 30 June 2021 and 2020.

The Company is not subject to income tax in the Cayman Islands or any other jurisdiction.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Depreciation and amortisation	<u>447,572</u>	<u>456,516</u>

9. DIVIDENDS

A final dividend of RMB51.1 cents per share for the year ended 31 December 2020, amounting to RMB800,661,000, was paid during the six months ended 30 June 2021.

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2021 and 2020.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>1,073,434</u>	<u>878,414</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,566,851</u>	<u>1,566,851</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,566,851</u>	<u>1,566,851</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Carrying value RMB'000
At 1 January 2020 (audited)	8,077,172
Additions	143,420
Depreciation for the period	(396,842)
Disposals	<u>(20,927)</u>
At 30 June 2020 (unaudited)	<u>7,802,823</u>
At 1 January 2021 (audited)	7,586,580
Additions	115,126
Depreciation for the period	(399,060)
Disposals	<u>(4,105)</u>
At 30 June 2021 (unaudited)	<u>7,298,541</u>

12. QUARRY

	Carrying value RMB'000
At 1 January 2020 (audited)	964,761
Additions	–
Amortisation during the period	(28,079)
	<u>936,682</u>
At 30 June 2020 (unaudited)	<u>936,682</u>
At 1 January 2021 (audited)	999,574
Additions	779
Amortisation during the period	(29,629)
Disposal	(2,160)
	<u>968,564</u>
At 30 June 2021 (unaudited)	<u>968,564</u>

13. INVENTORIES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Spare parts and ancillary materials	147,356	148,923
Raw materials	389,405	272,278
Work in progress	126,198	66,173
Finished goods	153,518	120,994
	<u>816,477</u>	<u>608,368</u>

14. TRADE AND OTHER RECEIVABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade receivables	930,646	1,058,993
Less: accumulated allowance	(281,346)	(246,850)
	<u>649,300</u>	<u>812,143</u>
Bills receivable	1,064,007	1,280,901
	<u>1,713,307</u>	<u>2,093,044</u>
Other receivables	411,124	291,994
	<u>2,124,431</u>	<u>2,385,038</u>

The Group has a policy of allowing a credit period from 30 to 180 days for cement customers and 180 to 365 days for concrete customers whereas longer credit term are occasionally allowed to certain selected customers with good credit histories.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
0 – 90 days	405,249	514,646
91 – 180 days	176,262	185,818
181 – 365 days	63,053	66,472
Over 365 days	4,736	45,207
	<u>649,300</u>	<u>812,143</u>

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

15. TRADE AND OTHER PAYABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade and bills payables	278,497	281,512
Other payables and accruals	851,432	922,658
	<u>1,129,929</u>	<u>1,204,170</u>
Analysed for reporting purposes as:		
Non-current liabilities	–	–
Current liabilities	1,129,929	1,204,170
	<u>1,129,929</u>	<u>1,204,170</u>

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
0 – 90 days	234,527	264,584
91 – 180 days	13,003	1,907
181 – 365 days	23,762	5,541
Over 365 days	7,205	9,480
	<u>278,497</u>	<u>281,512</u>

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period for trade purchases is 30 to 90 days.

16. CONTRACT LIABILITIES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Receipt in advance of delivery for sales of cement products and related products	152,126	228,791
Receipt in advance for sales of concrete	175	519
	<u>152,301</u>	<u>229,310</u>

17. SHARE CAPITAL

Issued share capital as at 30 June 2021 amounted to RMB140,390,000. There were no movements in the issued share capital of the Company for the six months ended 30 June 2021.

18. COMMITMENTS

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment and land use rights contracted for but not provided in the condensed consolidated financial statements	36,195	38,457

19. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Joint ventures:		
Interest income	–	199
Purchase	14,454	8,721
Transportation expenses	46,032	52,802
	<u> </u>	<u> </u>
Associate:		
Sale of goods	3,771	7,393
	<u> </u>	<u> </u>

The remuneration of Directors was as follows:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Short-term employee benefits	3,350	3,368
	<u> </u>	<u> </u>

The remuneration of Directors is determined by having regard to the performance of individuals and market trends.

BUSINESS AND FINANCIAL REVIEW

In the first half of 2021, China's economy continued to recover steadily, as production and demand continued to rebound; the overall market outlook was expected to be positive, with major macroeconomic indicators being within a reasonable range; economic development showed a trend of steady consolidation and improvement. China's GDP for the first half of 2021 increased by 12.7% year-on-year, and the average half-year growth rate for the past two years was 5.3%; national fixed asset investments increased by 12.6% year-on-year, with an average growth rate of 4.4% for the past two years; national infrastructure investments increased by 7.8% year-on-year, with an average growth rate of 2.4% for the past two years; the country's property development investments increased by 15.0% year-on-year, with an average growth rate of 8.2% for the past two years.

In the first half of 2021, the country's cement production volume increased by 14.1% year-on-year to 1.15 billion tonnes, which was a record high for the same period in history. The market situation in the first half of the year was better than that of the same period last year. However, the overall cement price was lower than that of the same period last year.

In the first half of the year, the situation of the central and downstream region of the Yangtze River and Sichuan region, being the two major markets in which the Group operated, is as follows:

1. During January and February, being the traditional off-season, market demand in the central and downstream region of the Yangtze River weakened, and cement prices were seasonally adjusted. During the Spring Festival, various large enterprises began to shut down their kilns for overhaul until April. However, owing to the country's call for people to stay put during the Chinese New Year, coupled with nice weather, construction of projects in various areas started earlier after Chinese New Year than in previous years; as a result, demand recovered earlier than expected, leading to tight supply of clinker and cement from March to April, and the price of cement along the Yangtze River continued to soar; from May to June, rainfalls in the central and downstream region of the Yangtze River significantly exceeded that of previous years, and prices of building materials such as steel, sand and gravel had also increased sharply, thus suppressing cement demand. The shipments of major enterprises were less than expected, and cement prices underwent multiple rounds of downward adjustments. It is expected that after late August, the unfavourable factors affecting cement prices will subside, and the peak season of the cement market will arrive in the second half of the year.
2. In the Sichuan region, affected by the entry of cement products from outside in the first quarter, the price had decreased by a total amount of RMB30 per tonne; at the end of March, due to the effective execution of the preliminary off-peak season production by local enterprises and rapid recovery of demand, the impact of cement from outside reduced and the imbalance between supply and demand was eased; as a result, cement price in the Chengdu market increased by RMB50 per tonne. In July, due to the impact of low-priced cement from outside, local sales shrank and inventory was at a high level, while cement prices were seasonally adjusted by RMB50 per tonne. It is expected that prices will subsequently stabilise and begin to move upward upon the arrival of the peak season in September.

In the first half of 2021, the sales volume of the Group's cement and clinker reached 14.14 million tonnes. In the same period of 2020, the sales volume of cement and clinker was 11.14 million tonnes as affected by the pandemic.

Revenue

The table below shows the sales breakdown by region during the reporting period:

	For the six months ended	
	30 June 2021	30 June 2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Region		
Southeastern region	2,650,831	2,235,104
Central region	969,050	703,509
Southwestern region	1,681,063	1,375,418
	<u>5,300,944</u>	<u>4,314,031</u>

In the reporting period, the Group's revenue amounted to RMB5,300.9 million, representing an increase of RMB986.9 million or 23% from that of RMB4,314.0 million for the corresponding period of 2020. The increase in revenue was mainly attributable to increase in the sales volume of the Group's products.

In respect of revenue contribution for the six months ended 30 June 2021, sales of cement and related products accounted for 97% (2020: 94%) and the sales of ready-mix concrete accounted for 3% (2020: 6%). The table below shows the sales breakdown by product during the reporting period:

	For the six months ended	
	30 June 2021	30 June 2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Cement	4,758,917	3,667,997
Clinker	181,775	231,894
Blast-furnace slag powder	39,274	45,680
RMC	159,413	245,645
Others	161,565	122,815
	<u>5,300,944</u>	<u>4,314,031</u>

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), employee compensation and benefits, depreciation and amortization and other overhead costs. During the period under review, the Group's cost of sales was RMB3,427.8 million (2020: RMB2,527.9 million). The increase in cost of sales was mainly due to the increase in the sales volume and coal cost.

The gross profit for the six months ended 30 June 2021 was RMB1,873.1 million (2020: RMB1,786.2 million), representing a gross profit margin of 35% on revenue (2020: 41%). The increase in gross profit was mainly attributable to increase in the sales volume of the company's products when compared with that of the corresponding period of the previous year.

Other Income

Other income mainly comprises government grants, transportation fee income, interest income and sales of scrap materials. For the six months ended 30 June 2021, other income amounted to RMB89.4 million, representing a decrease of RMB43.1 million or 33% from RMB132.5 million for the corresponding period in 2020. The decrease in other income was attributable to the decrease in interest income during the period under review.

Other Gains and Losses

Other gains and losses mainly comprise net foreign exchange gain or loss, loss and disposal of property, plant and equipment and allowance of doubtful debts. For the period under review, other losses amounted to RMB49.8 million, representing a decrease of RMB8.9 million from the losses of RMB58.7 million for the corresponding period in 2020. The decrease in losses was principally attributable to the decrease in allowance of doubtful debts.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For the six months ended 30 June 2021, the distribution and selling expenses amounted to RMB233.0 million, representing an increase of RMB54.4 million or 30% from RMB178.6 million for the corresponding period of 2020. The increase in distribution and selling expenses was attributable to increase in transportation fees, handling charges and packing material consumed during the period under review.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses decrease by 43%, to RMB143.8 million from RMB250.7 million for the corresponding period of 2020. The decrease was attributable to decrease in overhead incurred during shut-down period during the period under review.

The finance costs decreased by 78% was mainly due to decrease in borrowing and borrowing interest rate.

Profit for the Period

In the reporting period, the net profit of the Group amounted to RMB1,106.4 million, representing an increase of RMB196.8 million from a net profit of RMB909.6 million for the corresponding period of 2020. The increase in net profit was mainly attributable to increase in the sales volume of the company's products when compared with that of the corresponding period of the previous year.

Financial Resources and Liquidity

The Group maintained a healthy financial and liquidity position for the six months ended 30 June 2021. The total assets approximately RMB23,186.2 million (31 December 2020: approximately RMB21,634.3 million) while the total equity approximately RMB16,803.2 million (31 December 2020: approximately RMB16,531.2 million).

As at 30 June 2021, the Group's cash and cash equivalents amounted to approximately RMB7,115.9 million (31 December 2020: approximately RMB5,275.6 million).

As at 30 June 2021, the Group's gearing ratio was approximately 28% (31 December 2020: 24%). The calculation of the gearing ratio was based on total liabilities and total assets as at 30 June 2021 and 31 December 2020, respectively.

Borrowings

The maturity profiles of the Group's borrowings outstanding as at 30 June 2021 and 31 December 2020 are summarized as below:

	30 June 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Within one year	2,563,307	872,988
Over second year	2,149,720	2,099,171
	<u>4,713,027</u>	<u>2,972,159</u>

Capital Expenditure and Capital Commitments

Capital expenditure for the six months ended 30 June 2021 amounted to approximately RMB165.9 million (31 December 2020: approximately RMB519.8 million) and capital commitments as at 30 June 2021 amounted to approximately RMB36.2 million (31 December 2020: approximately RMB38.5 million). Both the capital expenditure and capital commitments were mainly related to the purchase of plant, equipment and investment projects. The Group anticipates funding those commitments from future operating revenue, bank borrowings and other sources of finance when appropriate.

Pledge of Assets

As at 30 June 2021, the Group did not have any pledge or charge on assets (31 December 2020: Nil).

Contingent Liabilities

As at the date of this announcement and as at 30 June 2021, the Board was not aware of any material contingent liabilities (31 December 2020: Nil).

Human Resources

As at 30 June 2021, the Group had 3,784 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC 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 Share Option Scheme, where eligible directors and employees are entitled to various share options to subscribe for ordinary shares in the Company in accordance with their past and potential contribution to the growth of the Group. As at 30 June 2021, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposals of Subsidiaries and Affiliated Companies

The Group had no significant investment, material acquisitions or disposals for the six months ended 30 June 2021.

Foreign Exchange Risk Management

The Group's sales and purchases during the reporting period were mostly denominated in Renminbi ("RMB").

The RMB is not a freely convertible currency. Future exchange rates of the 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, and the demand and supply of the RMB. The appreciation or devaluation of the 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 management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above, there was no important event affecting the Group that occurred after 31 December 2020 and up to the date of this announcement.

Prospects

Looking into the second half of 2021, there remains challenges and opportunities. The Group is cautiously optimistic about the development of the cement industry:

On the demand side, against the backdrop of effective control of the pandemic in 2021, the development of new urbanisation, building of a transport superpower and strategic development of key regions proposed in the “14th Five-Year Plan” will provide strong support for cement demand for the second half of the year and even the next few years, with enormous business opportunities. In 2021, Sichuan province and Chongqing will join hands to construct 67 major projects. As of the end of June this year, construction of 58 projects has started, with an annual investment of RMB41.5 billion applied and a cumulative investment amount of RMB153.8 billion used. At the end of June, Hubei Provincial Development and Reform Commission announced 307 key construction projects, with an annual planned investment of RMB206.7 billion; Jiangxi Province implemented 738 key projects, of which 239 key projects are related to the transportation infrastructure sector, with a planned investment of RMB111.5 billion, in order to accelerate the construction of an integrated transportation system.

On the supply side, various measures to eliminate capacity and optimise structure will continue to be implemented in the future to achieve “carbon dioxide emission peak and carbon neutrality” and supply-side structural reforms. Transformation and upgrade, technological modification and ultra-low emissions will facilitate the healthy development of the cement industry. As such, the general trend for gradual improvement in the imbalance between supply and demand in the cement industry will not change. It is foreseeable that in order to meet the need for construction energy saving for sustainable development and achieve the “dual carbon” (i.e. “carbon dioxide emission peak and carbon neutrality”) goal as soon as possible, the market will push the cement industry to accelerate its transformation and upgrade. Leading enterprises with more advanced technology and facilities in the industry are expected to further secure competitive advantages, while merger and acquisition, reorganisation and consolidation will become a growing trend.

All in all, the Group believes that the cement industry is still at a plateau phase in the second half of the year, and the overall market outlook is expected to be positive. Cement demand is expected to remain stable against the backdrop of support from a series of infrastructure policies and the industry's strict control of new production capacity. However, the rising prices of coal, sand and gravel and other fuel and raw materials will have a certain negative impact on the cost of the cement industry and downstream demand. With a strong market since the second half of last year, the overall profitability of the cement industry is expected to recover this year. The Group expects to sell 16.80 million tonnes of cement and clinker in the second half of the year and to sell 30.90 million tonnes of cement and clinker for the whole year, representing an increase of 7% when compared with that of the full year of 2020.

In the second half of the year, the Group will persevere with the management direction of increasing efficiency, reducing costs, improving structure and enhancing quality; promote various management system reforms, optimise internal operating procedures, maintain a brand image of high quality and excellent service, and enhance the overall competitiveness of the Group. At the same time, the Group will strive to consolidate its core markets to maintain market share. It will embrace and practise the corporate culture of “Integrity, Diligence, Austerity, Prudence and Innovation” to make greater contributions and better fulfill its corporate social responsibilities.

CORPORATE GOVERNANCE

The Company has complied with all of the code provisions of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2021.

AUDIT COMMITTEE

The Company established the Audit Committee on 27 April 2008 with written terms of reference in compliance with the CG Code as set forth in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include the review of the financial reporting, risk management and internal control system of the Group. Currently, the Audit Committee comprises Mr. Tsim, Tak-lung Dominic (Chairman), Mr. Hsu, Shu-tong and Mr. Lee Kao-chao, all of whom are non-executive Directors.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2021, and was of the opinion that the preparation of such interim results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIVIDENDS

The Board does not recommend payment of any dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set forth in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. Having made specific enquiry with all Directors, all the Directors confirmed that they have complied with the Model Code throughout the period under review.

PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company’s Interim Report 2021 for the six months ended 30 June 2021 will be despatched to the shareholders of the Company and published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.com.hk) and the Company (www.achc.com.cn) 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
HSU Shu-tong
Chairman

Hong Kong, 28 July 2021

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.