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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 18% to RMB9,614.3 million (2021: approximately RMB11,755.9 million).
- Profit attributable to owners of the Company was RMB420.1 million (2021: Profit attributable to owners of the Company approximately RMB1,768.3 million).
- Basic earnings per share amounted to RMB0.268 (2021: Basic earnings per share RMB1.129).
- The Board proposed a final dividend of RMB16 cents per share.

THE FINANCIAL STATEMENTS

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 audited consolidated results of the Group for the year ended 31 December 2022, together with the comparative figures for 2021 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2022

	NOTES	**2022** *RMB'000*	2021 *RMB'000*
Revenue	*3*	**9,614,330**	11,755,908
Cost of sales		**(8,325,401)**	(8,075,943)
Gross profit		**1,288,929**	3,679,965
Other income	*4*	**212,108**	173,868
Reversal of (allowance for) credit losses on trade and other receivables, net		**30,425**	(130,248)
Other expenses, other gains and losses	*5*	**(31,460)**	(338,487)
Distribution and selling expenses		**(437,244)**	(473,832)
Administrative expenses		**(318,983)**	(288,591)
Share of losses of associates		**(4,516)**	(16,086)
Share of profits of joint ventures		**6,812**	10,097
Finance costs		**(57,070)**	(51,915)
Profit before tax		**689,001**	2,564,771
Income tax expense	*6*	**(265,009)**	(743,468)
Profit for the year	*7*	**423,992**	1,821,303
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Share of revaluation reserves of an associate		**–**	155,741
Total comprehensive income for the year		**423,992**	1,977,044
Profit for the year attributable to:			
Owners of the Company		**420,072**	1,768,307
Non-controlling interests		**3,920**	52,996
		423,992	1,821,303

	NOTES	**2022**	2021
		RMB'000	*RMB'000*
Total comprehensive income attributable to:			
Owners of the Company		**420,072**	1,924,048
Non-controlling interests		**3,920**	52,996
		423,992	1,977,044
		RMB	*RMB*
Earnings per share			
Basic	*9*	**0.268**	1.129

Consolidated Statement of Financial Position
At 31 December 2022

	NOTES	**2022** **RMB'000**	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**6,583,410**	7,040,755
Quarry		**878,641**	941,673
Right-of-use assets		**748,504**	783,805
Investment properties		**134,142**	132,286
Goodwill		**554,241**	554,241
Intangible assets		**3,760**	4,378
Interests in joint ventures		**84,640**	67,252
Interests in associates		**799,824**	804,340
Deferred tax assets		**161,804**	175,706
		9,948,966	10,504,436
CURRENT ASSETS			
Inventories	*10*	**905,512**	1,140,753
Trade and other receivables	*11*	**1,252,660**	2,180,413
Financial assets at fair value through profit or loss ("FVTPL")		**117,156**	65,202
Tax recoverable		**8,303**	16,532
Amount due from an associate		**7,778**	7,944
Amount due from a joint venture		**5,461**	6,217
Bank balances and cash		**8,900,448**	7,495,358
		11,197,318	10,912,419
CURRENT LIABILITIES			
Trade and other payables	*12*	**948,248**	1,476,351
Amounts due to joint ventures		**19,567**	14,226
Amount due to an associate		**256**	–
Tax payables		**58,900**	383,404
Borrowings – due within one year		**1,014,000**	1,118,299
Lease liabilities		**6,112**	6,068
Contract liabilities		**148,141**	183,948
		2,195,224	3,182,296
NET CURRENT ASSETS		**9,002,094**	7,730,123
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,951,060**	18,234,559

	NOTES	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Borrowings – due after one year		**1,361,646**	350,664
Lease liabilities		**88,767**	94,955
Provision for environmental restoration		**58,168**	51,845
Deferred tax liabilities		**51,615**	63,255
		1,560,196	560,719
NET ASSETS		**17,390,864**	17,673,840
CAPITAL AND RESERVES			
Share capital	*13*	**140,390**	140,390
Reserves		**16,847,069**	17,132,080
Equity attributable to owners of the Company		**16,987,459**	17,272,470
Non-controlling interests		**403,405**	401,370
TOTAL EQUITY		**17,390,864**	17,673,840

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. GENERAL

Asia Cement (China) Holdings Corporation (the "**Company**") is a public limited company incorporated in the Cayman Islands on 7 April 2004 under the Companies Law (2003 Revision), Chapter 22 of the Cayman Islands. The shares of the Company have been listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 May 2008. The immediate and ultimate holding company is Asia Cement Corporation, a company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is at Portion of Unit B, 11th Floor, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company collectively the "Group") are manufacture and sale of cement, concrete and related products.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRS Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2024

Except for the amendments to IFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2022	2021
	RMB'000	*RMB'000*
At a point in time recognition:		
– Sales of cement products and related products	**9,361,624**	11,427,735
– Sales of concrete	**252,706**	328,173
Total	**9,614,330**	11,755,908

(ii) Performance obligations for contracts with customers

Sales of cement products and related products and concrete (revenue recognised at one point in time)

The Group sells cement products and related products and concrete directly to customers (including distributors).

Revenue is recognised when control of the goods has transferred, i.e. when the goods have been transferred out from the Group's warehouse (delivery). After leaving the warehouse, the customers and distributors have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when selling the goods, and bear the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 180 days for cement customers and 180 to 365 days for concrete customers upon delivery.

A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration from the customer.

(iii) Transaction price allocated to the remaining performance obligation for contract with customers

All performance obligations for sale of cement products and related products and concrete are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. OTHER INCOME

	2022	2021
	RMB'000	*RMB'000*
Interest income on bank deposits	**159,102**	121,366
Government grants income	**27,332**	20,572
Sales of scrap materials	**12,905**	7,152
Solid waste treatment services	**6,344**	–
Rental income	**2,920**	3,148
Sales of raw materials	**1,822**	–
Transportation fee income	**1,683**	1,779
Interest income on USD Notes *(note)*	**–**	19,851
	212,108	173,868

Note: In 2020, the Company subscribed USD Notes issued by five independent private entities through a security agent in Hong Kong, with an aggregate amount of US$368,000,000 (equivalent to RMB2,401,163,000). These USD Notes carried interest at a fixed rate of 1.0% per annum with maturity of one year. Details are set out in the published annual report of the Group for the year ended 31 December 2021.

5. OTHER EXPENSES, OTHER GAINS AND LOSSES

	2022	2021
	RMB'000	*RMB'000*
(Loss) gain on fair value changes on financial assets at FVTPL	**(23,009)**	1,462
Exchange losses, net	**(4,252)**	(3,623)
Government penalties and related surcharge *(note)*	**(4,207)**	(226,395)
Losses on disposal/write-off of property, plant and equipment	**(2,806)**	(20,599)
Gains on fair value changes on investment properties	**200**	6,845
Reversal of consideration for acquisition of a subsidiary	**2,614**	–
Loss on disposal of quarry	**–**	(15,544)
Loss on idle land recovered by the government, net	**–**	(27,293)
Impairment loss on investment in an associate	**–**	(53,340)
	(31,460)	(338,487)

Note: During the year ended 31 December 2021, various local PRC government competent authorities have conducted various independent investigations in relation to environmental protection, production process and labour safety in various subsidiaries of the Group, which resulted approximately of RMB226,395,000 penalties for regulation violation and related surcharges.

6. INCOME TAX EXPENSE

	2022	2021
	RMB'000	*RMB'000*
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**246,238**	702,949
(Over) under-provision in prior years in respect of PRC EIT	**(23,112)**	45,761
Deferred tax	**41,883**	(5,242)
	265,009	743,468

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

Neither provision for Hong Kong Profits Tax nor Singapore income tax has been made in the consolidated statement of profit or loss and other comprehensive income as the Group had no assessable profit arising in these jurisdictions for both years.

During the year ended 31 December 2022 and 2021, pursuant to the Enterprise Income Tax Law and Implementation Regulations of the Law of the PRC, the applicable tax rate of PRC subsidiaries is 25%, except for certain subsidiaries entitled to different preferential tax rates.

Pursuant to "The announcement on Continuation of Enterprise Income Tax Policy for Western Development" (the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission [2020] No. 23), Sichuan Yadong Cement Co., Ltd. ("Sichuan Yadong"), Sichuan Lanfeng Cement Co., Ltd. ("Sichuan Lanfeng") and Sichuan Ya Li Transportation Co., Ltd. were granted a tax concession to pay corporate income tax at a preferential rate of 15% from 1 January 2021 to 31 December 2030.

7. PROFIT FOR THE YEAR

	2022 *RMB'000*	2021 *RMB'000*
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	**742,406**	790,434
– Quarry	**63,032**	70,486
– Intangible assets	**1,571**	1,631
– Right-of-use assets	**35,301**	38,579
Total depreciation and amortisation	**842,310**	901,130
Less: Capitalised in inventories	**(753,044)**	(808,083)
	89,266	93,047
Staff costs, including directors' remuneration		
Salaries and other benefits	**539,128**	579,891
Retirement benefits scheme contributions	**43,764**	37,351
Total staff costs	**582,892**	617,242
Less: Capitalised in inventories	**(403,392)**	(429,642)
	179,500	187,600
Impairment losses recognised on property, plant and equipment included in cost of sales	**87,817**	–
Auditors' remuneration	**6,000**	5,600
Cost of inventories recognised as expenses (including the provision for environmental restoration RMB6,323,000 (2021: RMB13,684,000))	**8,237,584**	8,075,943
Gross rental income from investment properties	**1,095**	1,043
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**(78)**	(69)
	1,017	974

8. DIVIDENDS

	2022 *RMB'000*	2021 *RMB'000*
Dividends for ordinary shareholders of the Company recognised as distributions during the year:		
2021 Final, paid – RMB45.0 cents (2021: 2020 Final, paid – RMB51.1 cents) per share	**705,083**	800,661

A final dividend for the year ended 31 December 2022 of RMB16 cents per share (2021: RMB45.0 cents per share) amounting to approximately RMB250,696,000 (2021: RMB705,083,000) has been proposed by the directors of the Company after the end of the reporting period. The proposed final dividend for the current year is subject to the approval of the Company's shareholders at the forthcoming general meeting.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2022	2021
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**420,072**	1,768,307
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,566,851**	1,566,851

No diluted earnings per share is presented as the Company did not have any dilutive shares in issue during both years.

10. INVENTORIES

	2022	2021
	RMB'000	*RMB'000*
Spare parts and ancillary materials	**146,929**	143,198
Raw materials	**393,445**	604,766
Work in progress	**171,732**	147,114
Finished goods	**193,406**	245,675
	905,512	1,140,753

11. TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**661,973**	895,555
Less: Allowance for credit losses	**(287,693)**	(314,946)
	374,280	580,609
Other receivables	**35,011**	34,079
Less: Allowance for credit losses	**(9,552)**	(9,552)
	25,459	24,527
Bills receivables at FVTOCI	**257,848**	760,936
Notes receivables	**210,734**	337,379
Advances to suppliers	**166,370**	342,776
Refundable deposits	**39,024**	25,152
Prepayments for utilities	**26,625**	55,488
Value-added tax recoverable	**50,881**	15,694
Interest receivable from banks	**101,439**	37,852
	1,252,660	2,180,413

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB812,143,000, net of allowance for credit losses of RMB246,850,000.

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

The following is an aged analysis of trade receivables, net of allowance for credit losses presented based on the invoice dates:

	Cements		**Concrete**		**Total**	
	2022	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
0–90 days	**213,138**	348,095	**33,230**	59,008	**246,368**	407,103
91–180 days	**62,994**	105,261	**25,504**	25,594	**88,498**	130,855
181–365 days	**804**	2,223	**25,577**	32,784	**26,381**	35,007
Over 365 days	**9,580**	2,144	**3,453**	5,500	**13,033**	7,644
	286,516	457,723	**87,764**	122,886	**374,280**	580,609

The following is an aged analysis of bills receivables at FVTOCI, net of fair value remeasurement under the requirement of IFRS 9, at the end of the reporting period:

	2022	2021
	RMB'000	*RMB'000*
0 to 180 days	**257,848**	760,936

The following is an aged analysis of notes receivables presented based on the dates of notes issued by the customers:

	Cements		**Concrete**		**Total**	
	2022	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
0–90 days	**98,475**	154,827	**–**	–	**98,475**	154,827
91–180 days	**112,259**	182,552	**–**	–	**112,259**	182,552
	210,734	337,379	**–**	–	**210,734**	337,379

12. TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**260,952**	435,631
Accruals	**110,686**	230,228
Mine reserve fund payable	**299,724**	299,724
Staff wages and welfare payable	**96,969**	137,127
Value added tax payable	**7,603**	44,754
Construction cost payable	**46,519**	40,410
Other taxes payable	**33,498**	51,230
Interest payable	**3,604**	1,178
Consideration payable for acquisition of a subsidiary in 2014	**6,681**	9,295
Government penalties payable	**–**	131,056
Refundable deposits from suppliers	**51,690**	25,555
Other payables	**30,322**	70,163
	948,248	1,476,351

The following is an aged analysis of trade payables presented based on the invoice dates:

	2022	2021
	RMB'000	*RMB'000*
0–90 days	**212,450**	424,170
91–180 days	**18,611**	7,048
181–365 days	**21,494**	4,413
Over 365 days	**8,397**	–
	260,952	435,631

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period for trade purchases is 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

13. SHARE CAPITAL

	Number of shares	Amount *HK$'000*	Shown in the consolidated financial statements as *RMB'000*
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2021, 31 December 2021 and 2022	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2021, 31 December 2021 and 2022	1,566,851,000	156,685	140,390

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW:

(1) Macro perspectives of China and the industry

2022 witnessed the cumulative impact of 100-year unseen great changes and a pandemic of the century. The domestic economy continued to be hit hard by numerous unexpected factors including multiple outbreaks, extreme weather of severe heatwave, etc. The pressure of declining demand, supply disruption and expected weakening of the economy continued to evolve, while the level of complexity, severity and uncertainty of the development environment increased. Facing internal and external challenges, the entire country strove to maintain continual development of the national economy despite under pressure. As a result, China's gross domestic product ("GDP") reached new heights, reflecting the results of quality development. In 2022, the GDP of China rose by 3.0% year-on-year to RMB121 trillion (data source: National Bureau of Statistics), ranking the world's second largest and signifying further growth in China's comprehensive national strength. The fundamentals of the national economy's strong resilience, enormous potential and vast room to grow, as well as a positive long-term outlook remained unchanged.

The key national macroeconomic indicators in 2022 in general were stable. However, the indicators related to real estate remained weak: China's fixed asset investment increased by 5.1% year-on-year; infrastructure investment increased by 9.4% year-on-year; property development investment decreased by 10.0% year-on-year; added value of industries above designated size increased by 3.6% year-on-year; total profit of industrial enterprises above designated size decreased by 4.0% year-on-year to RMB8.4 trillion.

2022 is a crucial year in the 14th Five-Year Plan as it links the previous year and the following years. Since early 2022, the carrying out of appropriate and forward-looking infrastructure construction investment had been providing strong support to boost infrastructure construction investment. However, affected by the severe downturn in property investment, coupled with shocks caused by unexpected factors such as stringent epidemic control measures, cement demand in 2022 rapidly decreased at an unprecedented rate, and demand remained low throughout the year. Demand, in general, was characterized by "demand not robust during peak season, and even lower in low season". On the one hand, low demand led to a downtrend in cement price for the entire year; on the other hand, the price of coal (raw material) continued to rise. Under the downward pressure on price and rising cost pressure, the phenomenon that the cement industry continued to realize high profit in recent years was no longer to be seen, while profits declined significantly. In 2022, the national cement output amounted to 2.12 billion tonnes, representing a year-on-year decrease of 10.8%; cement industry profit was expected to be approximately RMB68 billion, representing a decrease of approximately 60% year-on-year.

In 2022, there were 13 new cement and clinker production lines in China put into operation, with actual clinker capacity of 23.188 million tonnes in total, representing a decrease of 27.3% year-on-year. By geographical region, 11.873 million tonnes of new clinker capacity were put into operation in Guangxi, which ranked the first in China in terms of new clinker capacity put into operation; 4.185 million tonnes, 3.41 million tonnes, 2.48 million tonnes and 1.24 million tonnes in Hunan, Shandong, Guangxi and Tibet respectively, ranking second to fifth.

(2) Overview of the Group's business

In 2022, affected by the macroeconomic environment, downstream demand remained low. Cement price in China fluctuated and was on a downward trend. The development trend for the cement industry in 2022 in the central and downstream regions of the Yangtze River and Sichuan region, being the two major long-term markets in which the Group has key operating activities, is as follows:

The central and downstream regions of the Yangtze River: January and February are traditional off-peak season. After Spring Festival, industry players along the river began to shut down their kilns for overhaul, leading to decrease in clinker inventory; coupled with factors such as rise in coal price, increase in imported clinker price, clinker price along the river and downstream region surged rapidly. Up till mid-March, the price had risen by RMB110 per tonne, while cement price had increased by RMB30-50 per tonne during this period. In late March, the epidemic spread across provinces in the downstream region. Local governments adopted stringent epidemic control measures, which caused disruption to road transportation; cement deliveries dropped and the market soon became glutted. Major enterprises scrambling for market share began to cut price to boost sale. Such situation continued up to the end of June. During this period, the price of clinker saw an cumulative decrease of approximately RMB150 per tonne, while cement price dropped by around RMB100-150 per tonne. Prices had basically reached rock bottom. In the second half of the year, with the recovery of the downstream market and the arrival of the traditional storage cycle of grinding stations, the clinker market along the Yangtze River showed a recovery in July. However, no significant improvement was seen in cement demand, leading to clinker price higher than cement price. Downstream grinding stations had low incentive to pick up products; cement price fluctuated and was on a downward trend. Entering September and October, being the traditional peak season, enterprises actively raised cement price by RMB50-80 per tonne to improve profits. However, cement demand had not been fundamentally improved, and the price surge could not sustain. Industry players started to lower price in early December. Before the Spring Festival, cement prices had declined to their levels in August, just prior to the price hike.

Sichuan region: Cement demand in the off-peak season of January and February was low, with selling price decreased by RMB120 per tonne from its high level. Cement from outside basically withdrew from the Chengdu market. Entering March, with nice weather and gradual recovery of private market demand, operating rate increased gradually. Shipments from cement enterprises resumed to 80% to 90%, while selling prices rose by RMB60 per tonne. In late March, cement from outside hit the market again. Local enterprises gave rebates or discounts to their customers to maintain stable price. In May, cement demand weakened, and price gradually decreased. Entering June, which is a traditional low season, Sichuan experienced extremely hot weather and droughts. Construction projects at the sites surrounding Chengdu were hampered, resulting in continued low demand. This was followed by electricity rationing and production suspension of industries and enterprises from July to September as well as unexpected factors including more stringent epidemic control measures due to the spread of the epidemic. The recovery of demand in Chengdu and its neighbouring markets was severely affected, resulting in market fluctuations. In October, with the relaxation of epidemic control measures, cement demand previously suppressed rapidly released after the holiday. Inventories of local enterprises significantly reduced. Moreover, the local cement association planned to promote in November the rigid execution of kiln suspension among local enterprises (13-14 days for each set). Industry players in general were optimistic about the subsequent market trend, and demand outlook was positive. As such, in November cement price was pushed up twice, with a cumulative increase of RMB80 per tonne. However, since mid-November, there had been sporadic outbreaks. Cement demand was again adversely impacted. Industry players executed off-peak season production for the second time and pushed up the price. In December, Sichuan issued three orange alerts for severe pollution; this coupled with the lifting of the “zero-COVID” control, slowdown in the work progress of a large amount of local projects and the continuous influx of low-priced cement from outside into the local markets had caused the price to move downward. Up until prior to the Spring Festival, the cement price had cumulatively decreased by RMB40 per tonne.

In 2022, the Group’s clinker output amounted to 23.63 million tonnes, representing a decrease of 3.5% from that of 2021, which was less than the average declining rate of output in China. Total sales volume of cement products (cement and clinker) amounted to 27.98 million tonnes, down by 5.2% when compared to that of 2021.

Table 1: Total sales Volume (Unit: '000 tonnes)

	2022	2021	Change (%)
Cement	**24,037**	27,337	(12.1)
Clinker	**3,940**	2,167	81.8
Blast-furnace slag powder	**262**	325	(19.4)
	28,239	29,829	(5.3)

Table 2: Sales volume of cement by region (Unit: '000 tonnes)

	2022	2021	Change (%)
Southeastern region	**12,245**	13,728	(10.8)
Central region	**4,510**	5,765	(21.8)
Southwestern region	**7,282**	7,844	(7.2)
	24,037	27,337	(12.1)

Table 3: Sales volume of high grade and low grade cement (Unit: '000 tonnes)

	2022		2021	
	Sales volume	**%**	Sales volume	%
High grade cement	**22,851**	**95**	25,889	95
Low grade cement	**1,186**	**5**	1,448	5
	24,037	**100**	27,337	100

Table 4: Sales volume of bagged and bulk cement (Unit: '000 tonnes)

	2022		2021	
	Sales volume	**%**	Sales volume	%
Bulk cement	**21,779**	**91**	24,772	91
Bagged cement	**2,258**	**9**	2,565	9
	24,037	**100**	27,337	100

Operating Results

Revenue

The Group's principal business activities are manufacture and sale of cement, concrete and related products. As shown in the table below, for 2022, the Group's revenue amounted to RMB9,614.3 million, representing a decrease of RMB2,141.6 million or 18% from RMB11,755.9 million in 2021. The decrease in revenue was mainly attributable to the decrease in the sales quality and average selling price of the Group's products during 2022.

	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Southeastern region	**5,182,554**	**54**	6,135,729	52
Central region	**1,515,268**	**16**	2,190,460	19
Southwestern region	**2,916,508**	**30**	3,429,719	29
	9,614,330	**100**	11,755,908	100

In respect of revenue contribution for 2022, sales of cement accounted for 81% (2021: 88%) and sales of concrete accounted for 3% (2021: 3%). The table below is a sales analysis by product for the reporting period:

	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Cement	**7,790,743**	**81**	10,367,972	88
Clinker	**1,180,834**	**12**	701,551	6
RMC	**252,706**	**3**	327,980	3
Blast-furnace slag powder	**54,633**	**1**	87,209	1
Others	**335,414**	**3**	271,196	2
	9,614,330	**100**	11,755,908	100

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 costs), employee compensation and benefits, depreciation and amortisation and other overhead costs. In 2022, the Group's cost of sales increased by approximately 3% to RMB8,325.4 million from RMB8,075.9 million in 2021 due to the increase in coal cost.

The gross profit for 2022 was RMB1,288.9 million (2021: RMB3,680.0 million), with a gross profit margin of 13% (2021: 31%). The decrease in gross profit was mainly attributable to the sales volume and selling price of the Group's products declined and the increase in coal cost of the Group's products compared with that of the previous year.

Other Income

Other income mainly comprises government grants, transportation fee income, interest income and sales of scrap materials. For 2022, other income amounted to RMB212.1 million, representing an increase of RMB38.2 million from RMB173.9 million in 2021. The increase in other income was attributable to the increase in government grants and interest income.

Other Expenses, Other Gains and Losses

Other expenses, other gains and losses mainly comprise net foreign exchange loss, government penalties and related surcharge, impairment loss on investment in an associate, gains in fair value of investment properties and loss on disposal/write-off of property, plant and equipment. For 2022, other expenses, other gains and losses amounted to RMB31.5 million, representing a decrease of RMB307.0 million from RMB338.5 million in 2021. The decrease was principally attributable to the government penalties and related surcharge and impairment loss on investment in an associate.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2022, the distribution and selling expenses decreased from RMB473.8 million in 2021 to RMB437.2 million in 2022. Mainly attributable to a decrease in transportation costs and handling charges during 2022.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses, increased by approximately 11%, from RMB288.6 million in 2021 to RMB319.0 million in 2022.

The 10% increase in finance costs was mainly due to the increase in bank borrowings and interest rate compared to 2021.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2022 decreased by RMB1,875.8 million, constituting a profit of RMB689.0 million (2021: profit of RMB2,564.8 million).

Income Tax Expense

In 2022, income tax expense decreased by RMB478.5 million or approximately 64% to RMB265.0 million, from RMB743.5 million in 2021.

Non-controlling Interests

In 2022, non-controlling interests amounted to RMB4.0 million, representing a decrease of RMB49.0 million or approximately 92% compared with RMB53.0 million in 2021, primarily due to a decrease in profit contribution from Jiangxi Yadong and Wuhan Yaxin.

Profit for the Year

For 2022, the net profit of the Group amounted to RMB424.0 million, representing a decrease of RMB1,397.3 million from the profit of RMB1,821.3 million in 2021.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2022. Total assets decreased by approximately 1% to RMB21,146.3 million (31 December 2021: approximately RMB21,416.9 million), while total equity decreased by approximately 2% to RMB17,390.9 million (31 December 2021: approximately RMB17,673.8 million).

Bank Balances and Cash

As at 31 December 2022, the Group's bank balances and cash amounted to approximately RMB8,900.4 million (31 December 2021: RMB7,495.4 million), of which approximately 99% was denominated in RMB, with the remainder denominated in US dollars and Hong Kong dollars and Singapore dollars.

Cash Flow

The Group derived its cash inflow from operations primarily through the receipt of payments for the sale of its cement and concrete products. The Group's cash outflow from operations was used primarily for raw material purchases, payment for fuel and power, distribution costs and staff salaries. Cash generated from operating activities decreased from RMB2,498.9 million in 2021 to RMB1,614.7 million in 2022.

The Group's cash inflow from investing activities primarily consisted of interest income, withdrawal of USD Notes and proceeds from disposal of property, plant and equipment. The Group's cash outflow from investing activities primarily consisted of purchase of financial assets, purchases of property, plant and equipment. In 2022, cash from investing activities of the Group amounted to RMB257.3 million (2021: cash from RMB1,394.2 million).

In 2022, the cash from financing activities of the Group amounted to RMB138.9 million (2021: cash used in RMB2,395.1 million). This was primarily due to raising of bank borrowings in 2022.

Capital Expenditure

Capital expenditure for the year ended 31 December 2022 amounted to approximately RMB379.6 million (31 December 2021: RMB347.6 million), and capital commitments as at 31 December 2022 amounted to approximately RMB57.7 million (31 December 2021: RMB44.6 million). Both capital expenditure and capital commitments were mainly related to the purchases of plant and equipment for new production lines. The Group anticipates that such commitments will be funded by future operating revenue, bank borrowings and other sources of finance as appropriate.

Borrowings

The Group's borrowings as at 31 December 2022 and 2021 are summarized below:

	As at 31 December			
	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Short-term borrowings	**1,014,000**	**43**	1,118,299	76
Long-term borrowings	**1,361,646**	**57**	350,664	24
Currency denomination				
– RMB	**2,306,000**	**97**	672,000	46
– US dollars	**69,646**	**3**	796,963	54
Bank borrowings				
– unsecured and unguaranteed	**2,375,646**	**100**	1,468,963	100
Interest rate				
– fixed-rate RMB bank borrowings	**1,791,000**	**2.15% to 3.15%**	672,000	3.06% to 3.15%
– fixed-rate USD bank borrowings	**69,646**	**5.09%**	796,963	0.67% to 0.70%
– variable-rate RMB bank borrowings	**515,000**	**2.48% to 3.29%**	–	N/A

As at 31 December 2022, the Group had unutilized credit facilities in the amount of RMB9,785.0 million.

As at 31 December 2022, the Group's gearing ratio was approximately 18% (31 December 2021: 17%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2022 and 2021, respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as at 31 December 2022.

Contingent Liabilities

As at 31 December 2022 and up to the date of this announcement, the Board (the "**Board**") is not aware of any material contingent liabilities (31 December 2021: Nil).

Human Resources

As at 31 December 2022, the Group had 3,702 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing provident fund scheme according to the applicable PRC laws and regulations for its employees in the PRC. The Group remunerated its employees based on their work performance and experience. Remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Share Option Scheme, under which eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company according to their past and potential contribution to the growth of the Group, on 27 April 2008. The Share Option Scheme was expired on 26 April 2018.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

Save as disclosed in this announcement, the Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2022 (31 December 2021: Nil).

Foreign Exchange Risk Management

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

RMB is not a freely convertible currency. Future exchange rates of RMB may vary significantly from the current or historical exchange rates as a result of controls imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally as well as the demand and supply of RMB. The appreciation or devaluation of 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 Group's management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

2. BUSINESS PROSPECTS:

(1) Industry challenges

The cement industry in 2023 continues to face various risks and challenges, arising from the following:

First, the property sector remains weak. It still takes time for market demand to release. As at the end of 2022, various departments and regulatory bodies promulgated favourable policies for the property sector. Efforts to stabilize the property market are expected to be strong. The favourable financial measures will provide strong support to property developers. However, the existing policies mostly focus on "ensuring timely deliveries of presold homes", ensuring supply and construction and completion of quality projects. It is expected that it would not be easy for the property market to reverse from a downturn. In 2022, the newly started residential area across the country declined by 39.4% year-on-year; land acquisition area decreased by 53.4% year-on-year (data source: National Bureau of Statistics). Transaction area of the land auction market significantly reduced. The newly started area in 2023 will continue to be affected. It is expected that in 2023, the property sector will remain the biggest drag on cement demand but its adverse impact will lessen when compared with that in 2022.

Second, the supply-demand imbalance poses the biggest issue for the industry. Cement demand in 2022 remained sluggish; simultaneously, despite the continued optimization of the industry's capacity structure, the total cement capacity remained high. The problem of excess capacity became more severe. In 2022, cement and clinker capacity utilization rate was excepted to be around 65%, which was 10 percentage points lower than 2021 (data source: Digital Cement). From a long-term perspective, as the structure of the national economic development continued to optimise, the trend of a steady decline for cement demand will become the future normal. The entire industry will face the grave challenge of excessive capacity.

Third, enterprises continue to find themselves under cost pressure. The price of coal and other raw material had once surged to RMB1,600 per tonne in 2022. The cement industry faced tremendous business pressure. Although the coal price gradually decreased to RMB1,200 per tonne since November, it was still at a historic high. Moreover, extreme weather may occur again in 2023. There is still the risk of coal price going up again. Meanwhile, energy consumption, safety, environmental protection, carbon emission reduction requirements continue to increase, driving enterprises to increase investment in technological modification. Against the backdrop of a weakening cement demand, it remains a big challenge for cement enterprises with regard to whether they could successfully shift their costs to downstream successfully.

(2) Industry trend

Despite various risks and challenges facing demand and supply, there are also numerous positive factors. Challenges and opportunities coexist in 2023. The Group maintains a cautiously optimistic attitude. The main positive factors include the following two points:

On the demand side, it is expected that cement demand in general in 2023 will decline. However, the rate of decline will narrow when compared with 2022. In view of the entire year, cement demand will remain low at the beginning and rise later, weak at the start and become stronger later. Although it will take some time for demand from the property sector to recover, infrastructure construction investment maintained rapid growth in the previous year and, since the fourth quarter, macroeconomic policy has continued to be supportive. Market demand for building materials such as cement and steel is expected to continue to grow in the coming year. With further opening up of financing channels for infrastructure projects, infrastructure construction will become one of the important drivers of economic growth in 2023. Infrastructure demand is expected to remain robust, which will help lift cement demand.

On the supply side, it is expected that environmental protection and low carbon policies in 2023 will continue to deepen. Factors such as “normalisation of off-peak season production”, “carbon peak”, “power restrictions” remain effective in suppressing cement supply in most of the regions, further adding cost pressure on backward enterprises. With the decline in cement demand in 2022, the industry realized that the original scale of restricting cement production was hard to make significant improvement in the prevailing market disequilibrium. It is expected that in 2023 off-peak season production policies in different areas will emphasise greater efforts to be made in kiln suspension. This will accelerate the phase-out of obsolete capacity in an intensely competitive market environment. Clinker replacement projects will further reduce. Cement price for the whole year is likely to recover slightly, while industry profits is expected to remain stable.

(3) The Group's Outlook

The Group expects that the overall cement market will continue to decline in 2023. However, such decline will significantly narrow, especially in the second half of the year, with the gradual implementation of key construction projects and the release of various favourable real estate policies. Cement demand is expected to stabilize and industry profits will improve slightly.

Considering various factors including economic situation, market demand and industry supply, the Group plans to sell 28.10 million tonnes of cement products (cement and clinker) in 2023, which is almost the same amount as 27.98 million tonnes in 2022.

In 2023, the Group will continue to adhere to the operational strategies of high efficiency, high quality, excellent service, high environmental protection and low cost. The Group will uphold emphasis on customer services, enhance customer service efforts and customers experience; continue to promote cost efficiency, and increase brand competitiveness under the premise of product quality assurance. The Group will also flexibly adjust sales strategies, improve employee incentive mechanism, secure sales channels, and consolidate its share in core markets. As an ambitious, innovative and sustainable international company with strong fundamentals, Asia Cement (China) will embrace its longstanding corporate culture of "Integrity, Diligence, Austerity, Prudence and Innovation", and create greater value for the country, society, shareholders and employees with its outstanding performance.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the end of the reporting period.

OTHER INFORMATION

Final Dividend

In acknowledging the continuous support from the Group's shareholders, the Board recommends the payment of a final dividend of RMB16 cents per ordinary share in respect of the year ended 31 December 2022, subject to approval by shareholders at the forthcoming annual general meeting of the Company. The dividend will be payable on Friday, 21 July 2023 to shareholders whose names appear on the Register of Member of the Company after close of business on Friday, 14 July 2023.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 6 June 2023 to Friday, 9 June 2023, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 5 June 2023.

Subject to the approval of shareholders at the annual general meeting, the register of members of the Company will be closed for the purpose of determining the entitlement of shareholders to receive the final dividend from Tuesday, 11 July 2023 to Friday, 14 July 2023, both days inclusive, during which period no transfer of shares will be registered. The proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company on Friday, 14 July 2023 being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 10 July 2023. The dividend will be payable on Friday, 21 July 2023 to shareholders.

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 year ended 31 December 2022.

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 and the majority of whom are independent non-executive Directors.

The Audit Committee has reviewed together with the management and the external auditor of the Company the accounting principles and practices adopted by the Group and has also reviewed auditing, risk management and internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2022.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. The Company, having made specific enquiry with all Directors, confirms that its Directors had complied with the required standards set out in the Model Code throughout the year ended 31 December 2022.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.com.hk) and the Company (www.achc.com.cn). The annual report for the financial year ended 31 December 2022 of the Company will be dispatched to the Company's shareholders and published on the aforesaid websites 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 reporting period.

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

Hong Kong, 3 March 2023

As at the date of this announcement, the executive Directors are Mr. HSU Shu-ping, Mr. CHANG Tsai-hsiung, Mr. LEE Kun-yen, 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.