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 2023

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 2023. 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 2023 was approximately RMB40.7 million.

The Directors of the Company are making this announcement of the Group's unaudited consolidated results for the three months ended 31 March 2023 in line with its practice to publish the Group's financial results quarterly and pursuant to paragraph 13.09 of the Listing Rules.

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the three months ended 31 March	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue	**1,896,822**	2,093,422
Cost of sales	**(1,723,231)**	(1,789,907)
Gross profit	**173,591**	303,515
Other income	**46,447**	36,704
Other gains and losses	**54,560**	50,799
Distribution and selling expenses	**(93,802)**	(88,512)
Administrative expenses	**(83,020)**	(78,130)
Share of profits of joint ventures	**(657)**	775
Share of losses of associates	**(1,549)**	(4,770)
Finance costs	**(17,317)**	(7,955)
Profit before tax	**78,253**	212,426
Income tax expenses	**(36,825)**	(83,493)
Profit and total comprehensive income for the period	**41,428**	128,933
Profit and total comprehensive income for the period attributable to:		
Owners of the Company	**40,663**	123,857
Non-controlling interests	**765**	5,076
	41,428	128,933
	RMB	*RMB*
Earnings per share:		
Basic	**0.026**	0.079

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	**6,434,372**	6,583,410
Quarry	**863,225**	878,641
Investment properties	**134,142**	134,142
Goodwill	**554,241**	554,241
Other intangible assets	**3,384**	3,760
Interest in joint ventures	**83,983**	84,640
Interest in an associate	**798,275**	799,824
Deferred tax assets	**152,915**	161,804
Right of use assets	**739,676**	748,504
	9,764,213	9,948,966
CURRENT ASSETS		
Inventories	**760,855**	905,512
Trade and other receivables	**1,277,706**	1,252,660
Financial assets at fair value through profit or loss	**119,797**	117,156
Tax recoverable	**–**	8,303
Amount due from an associate	**5,461**	5,461
Amount due from a joint venture	**6,778**	7,778
Bank balances and cash	**8,959,123**	8,900,448
	11,129,720	11,197,318
CURRENT LIABILITIES		
Trade and other payables	**812,034**	948,248
Amount due to joint ventures	**22,359**	19,567
Amount due to an associate	**–**	256
Tax payables	**41,707**	58,900
Borrowings – due within one year	**714,000**	1,014,000
Lease liability	**6,447**	6,112
Contracts liabilities	**188,344**	148,141
	1,784,891	2,195,224
NET CURRENT ASSETS	**9,344,829**	9,002,094
TOTAL ASSETS LESS CURRENT LIABILITIES	**19,109,042**	18,951,060

	As at 31 March 2023 *RMB'000* *(Unaudited)*	As at 31 December 2022 *RMB'000* *(Audited)*
NON-CURRENT LIABILITIES		
Borrowings – due after one year	**1,490,717**	1,361,646
Lease liability	**88,015**	88,767
Deferred tax liabilities	**47,417**	51,615
Provision for environmental restoration	**50,599**	58,168
	1,676,748	1,560,196
NET ASSETS	**17,432,294**	17,390,864
CAPITAL AND RESERVES		
Share capital	**140,390**	140,390
Reserves	**16,887,733**	16,847,069
Equity attributable to owners of the Company	**17,028,123**	16,987,459
Non-controlling interests	**404,171**	403,405
TOTAL EQUITY	**17,432,294**	17,390,864

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the three months ended 31 March	
	2023 *RMB'000* *(Unaudited)*	2022 *RMB'000* *(Unaudited)*
Net cash from (used in) operating activities	**240,338**	(198,825)
Net cash from (used in) investing activities	**6,583**	(26,741)
Net cash used in financing activities	**(188,246)**	(128,368)
Net increase (decrease) in cash and cash equivalents	**58,675**	(353,934)
Cash and cash equivalents at beginning of the year	**8,900,448**	7,495,358
Cash and cash equivalents at 31 March	**8,959,123**	7,141,424

The Group's unaudited consolidated results for the three months ended 31 March 2023 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 2022.

The Directors do not recommend payment of a dividend in respect of the first three months of 2023 (2022: Nil).

BUSINESS REVIEW AND PROSPECTS

In the first quarter of 2023, with the gradual effect of economic stabilisation policy, continuous improvement of key economic indicators and expected market recovery at a faster pace, the economy operated with a great start. However, the international environment was still complex as there were various unstable and uncertain factors such as geopolitics. Meanwhile, the domestic economy was still at the initial stage of recovery, hence, strenuous efforts are required to stabilise economic operation and promote the overall economic improvement. In the first quarter of 2023, the national gross domestic product reached RMB28,499.7 billion, representing an increase of 4.5% year-on-year; the national fixed asset investment increased by 5.1% year-on-year; the infrastructure investment increased by 8.8% year-on-year; the manufacturing investment increased by 7.0% year-on-year; the property development investment decreased by 5.8% year-on-year.

In the first quarter of 2023, the national cement market demand gradually recovered to a preferable level. The total national cement output was 402 million tonnes, up by 4.1% from 386 million tonnes for the same period of 2022, with a slight year-on-year growth turning from negative to positive.

The situation of the Group's two major operating markets, namely the central and downstream region of the Yangtze River and Sichuan region, in the first quarter was as follows:

I. January and February are traditional off-seasons. The inventory of the cement industry continued to stay at high level from the end of the last year in the central and downstream regions of the Yangtze River; although the post-holiday market started to recover earlier than in previous years, the recovery of cement demand was still relatively slow due to continued sluggish in the property sector; after late February, as demand recovery accelerated, cement shipments along the Yangtze River recovered by 70% to 80% by early March, coupled with suspension of operation of kiln production lines along the downstream river due to off-seasons, the pressure on inventory level of clinker was reduced and the price of clinker was raised several times; in early and mid-March, with clear weather, projects and construction sites were operated with satisfaction, cement shipments were prosperous, and cement prices in different regions were raised at different rates. However, entering late March, the number of raining days in various areas has increased significantly, which affected the demand, and the cement prices in various areas subsequently fluctuated and dropped under the industry inventory pressure. As of early April, the price of clinker along the river has risen sharply as compared with the end of last year, while cement price in Wuhuang and Changjiu regions was basically the same as compared with the end of last year, except in the downstream areas of Shanghai and Yangzhou, which rose significantly as compared with that at the end of last year. It is expected that in the second quarter, market demand along the river will drop as the industry competition intensifies, and the market will experience a "low to high" outlook throughout the year as a result of increasing downward pressure on the cement price in the first half of the year and the unleashed demand in second half of the year.

II. After Chinese New Year, as affected by air pollution warning and rainy weather, the commencement of downstream construction projects and mixing stations was hindered in Sichuan Province. Due to limited recovery of cement demand, cement enterprises have initiated price-off promotions in order to boost sales; in late February, the operating rate of construction sites gradually improved. The shipment volume of local enterprises recovered by 70% to 80%, coupled with enterprises' off-season production, inventory pressure was alleviated, pushing up the cement price. However, the local project construction was affected by the uneven rate of final price hike in the market and the atmospheric yellow alert. In addition, the impact of cement from outside continued, resulting in a decline in cement price in mid-March; in late March, the association issued a 13 days kiln suspension plan in April. It is expected the subsequent cement supply will reduce significantly, resulting in the surging of cement price. As of early April, the price of cement in Sichuan increased slightly as compared with that at the end of last year. In the second quarter, the overall demand in Sichuan is expected to be weak, and the hidden concern of impact of low price of cement from outside on local market still exists. It remains to be seen whether subsequent cement price can be maintained.

As epidemic prevention and control in various regions have been completely lifted by the end of 2022, the disturbance effect of epidemic on shipment has disappeared. Owing to the Group's smooth sales channels, the sales volume of cement products (cement and clinker) in the first quarter of 2023 was 6.15 million tonnes, which is better than that in the same period of last year. It is expected that the sales volume of the Group's cement products in the first half of the year will reach 13.67 million tonnes due to the coming off-season in the second quarter and intensified market competition.

Although the cement industry is facing various challenges, including weak market demand and high cost, the Group remains cautiously optimistic about the development of cement industry in the second quarter and second half of the year.

On the demand side, for the property sector, although there are frequent favourable policies in respect of sales and financing, consumer demand and confidence in property are still insufficient, and recovery will take time. In 2023, it is expected that the property industry will focus on "ensuring timely deliveries of presold homes" and "destocking", and it is difficult to effectively boost property investment in the short term, which restrains the demand for cement; in terms of infrastructure investment, as an important starting point for expanding domestic demand and underpinning the economy, it is expected that infrastructure investment will maintain prosperous. Under the demand for stable growth, the accelerated issuance of special-purpose bond and timely launch of policy-based financial instruments and loans will promote the continuous development of infrastructure investment, which will provide support for cement demand.

On the supply side, the current total production capacity of the industry has basically reached its peak, and the overall production capacity of the industry will reduce by 13.50 million tonnes in terms of the planned production capacity and corresponding replacement capacity in 2023; on the other hand, various provinces and cities have significantly increased their efforts in off-season kiln suspension, and environmental protection and low carbon expectations will continue to deepen, escalating the cost pressure on enterprises with less-than-expected progress and continuously providing positive effects on supply contraction. Hence, industry's supply and demand are expected to maintain a tight balance.

Overall, it is expected that the demand for cement will still tend to weaken in 2023, but such decline will be narrow. In the second half of the year, with the accelerated implementation of key construction projects and the stabilisation of property sector, cement demand is expected to have a partial rebound and experience a trend of "low to high and weak to strong" throughout the year; at the same time, the coal price is expected to steadily decline, which facilitates the shifting of industry cost pressure and enhancement of industry benefits.

With the continuous implementation of the national growth stabilisation policy and the weakening effect of coal price year-on-year, it is expected that the Group's performance will improve quarter by quarter in the future. 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 enhance its efforts in customer services, improve customer experience, continue to promote cost reduction and cost efficiency, while securing sales channels and consolidating its shares in core markets, so as to strive for a better performance.

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

Hong Kong, 28 April 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.