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 2023

FINANCIAL HIGHLIGHTS

Revenue decreased by 17% to approximately RMB4,105.1 million (2022: approximately RMB4,947.0 million).

Profit attributable to owners of the Company was RMB195.8 million (2022: Profit attributable to owners of the Company was approximately RMB311.9 million). The decrease in profit attributable to owners of the Company was mainly attributable to the decrease in the selling price of the Company's products.

Basic earning per share amounted to RMB0.125 (2022: Basic earning per share RMB0.199).

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 2023 together with comparative figures for the corresponding period in 2022. These interim condensed consolidated financial statements for the six months ended 30 June 2023 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 2023

		Six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**4,105,099**	4,946,981
Cost of sales		**(3,459,094)**	(4,173,479)
Gross profit		**646,005**	773,502
Other income	*5*	**100,141**	105,162
Other gains and losses	*6*	**77,482**	(19,291)
Distribution and selling expenses		**(223,006)**	(205,971)
Administrative expenses		**(165,969)**	(153,816)
Share of (losses) profits of joint ventures		**(918)**	2,388
Share of losses of associates		**(2,712)**	(1,127)
Finance costs		**(36,046)**	(13,565)
Profit before tax		**394,977**	487,282
Income tax expense	*7*	**194,660**	165,106
Profit for the period	*8*	**200,317**	322,176
Profit for the period attributable to:			
Owners of the Company		**195,784**	311,892
Non-controlling interests		**4,533**	10,284
		200,317	322,176
		RMB	*RMB*
Earnings per share:	*10*		
Basic		**0.125**	0.199

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**6,304,214**	6,583,410
Quarry	*12*	**847,810**	878,641
Right-of-use assets		**739,986**	748,504
Investment properties		**134,142**	134,142
Goodwill		**554,241**	554,241
Other intangible assets		**3,011**	3,760
Interests in joint ventures		**83,722**	84,640
Interests in associates		**797,113**	799,824
Deferred tax assets		**147,840**	161,804
		9,612,079	9,948,966
CURRENT ASSETS			
Inventories	*13*	**694,464**	905,512
Trade and other receivables	*14*	**1,220,196**	1,252,660
Financial assets at fair value through profit or loss ("FVTPL")		**133,009**	117,156
Tax Recoverable		**3,037**	8,303
Amount due from an associate		**7,684**	7,778
Amount due from a joint venture		**5,461**	5,461
Bank balances and cash		**8,812,619**	8,900,448
		10,876,470	11,197,318

	Notes	**As at 30 June 2023** *RMB'000* **(unaudited)**	As at 31 December 2022 *RMB'000* (audited)
CURRENT LIABILITIES			
Trade and other payables	*15*	**1,085,909**	948,248
Amount due to a joint venture		**24,105**	19,567
Amount due to an associate		**–**	256
Tax payables		**47,794**	58,900
Borrowings – due within one year		**1,075,000**	1,014,000
Lease Liabilities		**9,207**	6,112
Contract Liabilities	*16*	**160,038**	148,141
		2,402,053	2,195,224
NET CURRENT ASSETS		**8,474,417**	9,002,094
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,086,496**	18,951,060
NON-CURRENT LIABILITIES			
Borrowings – due after one year		**595,000**	1,361,646
Lease Liabilities		**92,863**	88,767
Provision for environmental restoration		**52,014**	58,168
Deferred tax liabilities		**50,736**	51,615
		790,613	1,560,196
NET ASSETS		**17,295,883**	17,390,864
CAPITAL AND RESERVES			
Share capital	*17*	**140,390**	140,390
Share premium and reserves		**16,792,157**	16,847,069
Equity attributable to owners of the Company		**16,932,547**	16,987,459
Non-controlling interests		**363,336**	403,405
TOTAL EQUITY		**17,295,883**	17,390,864

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company									
	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserves *RMB'000*	Other reserves *RMB'000*	Revaluation reserve *RMB'000*	Special reserve *RMB'000*	Retained profits *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2022 (audited)	140,390	508,060	3,732,707	286,038	155,741	1,635,906	10,813,628	17,272,470	401,370	17,673,840
Profit for the period	–	–	–	–	–	–	311,892	311,892	10,284	322,176
Appropriation	–	–	–	–	–	–	–	–	–	–
Dividends recognised as distribution	–	(508,060)	–	–	–	–	(197,023)	(705,083)	–	(705,083)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–
At 30 June 2022 (unaudited)	140,390	–	3,732,707	286,038	155,741	1,635,906	10,928,497	16,879,279	411,654	17,290,933
At 1 January 2023 (audited)	140,390	–	4,244,811	286,038	155,741	1,635,906	10,524,573	16,987,459	403,405	17,390,864
Profit for the period	–	–	–	–	–	–	195,784	195,784	4,533	200,317
Appropriation	–	–	–	–	–	–	–	–	–	–
Dividends recognised as distribution	–	–	–	–	–	–	(250,696)	(250,696)	(44,602)	(295,298)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–
At 30 June 2023 (unaudited)	140,390	–	4,244,811	286,038	155,741	1,635,906	10,469,661	16,932,547	363,336	17,295,883

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**803,936**	819,214
Net cash used in investing activities	**(105,471)**	(152,182)
Net cash (used in) from financing activities	**(786,294)**	630,870
Net (decrease) increase in cash and cash equivalents	**(87,829)**	1,297,902
Cash and cash equivalents at beginning of the period	**8,900,448**	7,495,358
Cash and cash equivalents at end of the period, represented by bank balances and cash	**8,812,619**	8,793,260

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 2023 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022.

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:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

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	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of cement products and related products	**4,028,123**	4,797,949
Sales of concrete	**76,976**	149,032
	4,105,099	4,946,981

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 2023 (unaudited)

	Cement business	**Concrete business**	**Total**	**Elimination**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
REVENUE					
External sales	**4,028,123**	**76,976**	**4,105,099**	**–**	**4,105,099**
Inter-segment sales	**16,316**	**–**	**16,316**	**(16,316)**	**–**
Total	**4,044,439**	**76,976**	**4,121,415**	**(16,316)**	**4,105,099**
RESULT					
Segment result	**426,378**	**27,289**	**453,667**	**–**	**453,667**
Unallocated income					**5,978**
Central administration costs, Directors' salaries and other unallocated expense					**(24,992)**
Share of profits of joint ventures					**(918)**
Share of losses of associates					**(2,712)**
Finance costs					**(36,046)**
Profit before tax					**394,977**

Six months ended 30 June 2022 (unaudited)

	Cement business *RMB'000*	Concrete business *RMB'000*	Total *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
REVENUE					
External sales	4,797,949	149,032	4,946,981	–	4,946,981
Inter-segment sales	70,437	–	70,437	(70,437)	–
Total	4,868,386	149,032	5,017,418	(70,437)	4,946,981
RESULT					
Segment result	548,372	(12,187)	536,185	–	536,185
Unallocated income					91,986
Central administration costs, Directors' salaries and other unallocated expense					(128,585)
Share of profits of joint ventures					2,388
Share of losses of associates					(1,127)
Finance costs					(13,565)
Profit before tax					487,282

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	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Government grant	**2,426**	22,096
Transportation fee (expense) income	**(1,137)**	646
Sales of scrap materials	**4,758**	6,562
Interest income on bank deposits	**87,832**	67,206
Rental income, net of outgoings	**1,679**	1,509
Others	**4,583**	7,143
	100,141	105,162

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Allowance for doubtful debts, net	**72,485**	11,578
Exchange loss net	**(2,501)**	(7,738)
Loss on disposal of property, plant and equipment	**(5,342)**	(1,878)
Gain (loss) on fair value change on financial assets measured at FVTPL	**11,052**	(21,253)
Gain from changes in fair value of investment property	**1,788**	–
	77,482	(19,291)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
— PRC Enterprise Income Tax ("EIT")	**181,576**	172,052
Withholding tax paid	**–**	–
Underprovision (overprovision) in prior years	**–**	2,776
Deferred tax	**13,084**	(9,722)
	194,660	165,106

For the six months ended 30 June 2023 and 2022, 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 2023 and 2022.

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	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Depreciation and amortisation	**419,769**	432,301

9. DIVIDENDS

A final dividend of RMB16 cents per share for the year ended 31 December 2022, amounting to RMB250,696,000, was not paid during the six months ended 30 June 2023.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (Interim dividend for the six months ended 30 June 2022: RMB nil).

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	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**195,784**	311,892
	'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
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,566,851**	1,566,851

11. PROPERTY, PLANT AND EQUIPMENT

	Carrying value
	RMB'000
At 1 January 2022 (audited)	7,040,755
Additions	169,934
Depreciation for the period	(382,264)
Disposals	(3,731)
At 30 June 2022 (unaudited)	6,824,694
At 1 January 2023 (audited)	6,583,410
Additions	100,771
Depreciation for the period	(370,814)
Disposals	(9,154)
At 30 June 2023 (unaudited)	6,304,213

12. QUARRY

	Carrying value
	RMB'000
At 1 January 2022 (audited)	941,673
Additions	–
Amortisation during the period	(31,810)
Disposal	–
At 30 June 2022 (unaudited)	909,863
At 1 January 2023 (audited)	878,641
Additions	–
Amortisation during the period	(30,831)
Disposal	–
At 30 June 2023 (unaudited)	847,810

13. INVENTORIES

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Spare parts and ancillary materials	**148,716**	146,929
Raw materials	**250,398**	393,445
Work in progress	**157,312**	171,732
Finished goods	**138,038**	193,406
	694,464	905,512

14. TRADE AND OTHER RECEIVABLES

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**560,805**	661,973
Less: accumulated allowance	**(215,209)**	(287,693)
	345,596	374,280
Bills receivable	**459,434**	468,582
	805,030	842,862
Other receivables	**415,166**	409,798
	1,220,196	1,252,660

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 2023	31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 – 90 days	**205,331**	246,368
91 – 180 days	**88,937**	88,498
181 – 365 days	**51,328**	26,381
Over 365 days	**–**	13,033
	345,596	374,280

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 2023	31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade and bills payables	**188,253**	260,952
Other payables and accruals	**897,656**	687,296
	1,085,909	948,248
Analysed for reporting purposes as:		
Non-current liabilities	**–**	–
Current liabilities	**1,085,909**	948,248
	1,085,909	948,248

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 2023 *RMB'000* **(unaudited)**	31 December 2022 *RMB'000* (audited)
0 – 90 days	**145,342**	212,450
91 – 180 days	**11,675**	18,611
181 – 365 days	**6,911**	21,494
Over 365 days	**24,325**	8,397
	188,253	260,952

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 2023 *RMB'000* **(unaudited)**	31 December 2022 *RMB'000* (audited)
Receipt in advance of delivery for sales of cement products and related products	**157,995**	147,700
Receipt in advance for sales of concrete	**2,043**	441
	160,038	148,141

17. SHARE CAPITAL

Issued share capital as at 30 June 2023 amounted to RMB140,390,000. There were no movements in the issued share capital of the Company for the six months ended 30 June 2023.

18. COMMITMENTS

	30 June 2023 *RMB'000* **(unaudited)**	31 December 2022 *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	**88,026**	57,692

19. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Joint ventures:		
Purchase	**8,241**	14,644
Transportation expenses	**60,375**	42,388
Associate:		
Sale of goods	**2,571**	3,617

The remuneration of Directors was as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Short-term employee benefits	**3,400**	3,200

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 2023, the economy and society in general resumed normal activities. With effective macroeconomic policies, the overall economic performance improved. However, global political and economic situations remained complicated, and the foundation for sustained recovery and development of the domestic economy was still unstable. China's GDP in the first half of 2023 stood at RMB59,303.4 billion, up by 5.5% year-on-year, which was 1.0 percentage point higher than that of the first quarter; GDP in the second quarter increased by 6.3% year-on-year to RMB30,803.8 billion. From January to June, national fixed asset investments increased by 3.8% year-on-year; national infrastructure investments increased by 7.2% year-on-year; manufacturing investment increased by 6.0% year-on-year and property development investments decreased by 7.9% year-on-year.

In the first half of the year, infrastructure investments increased, but real estate was in the adjustment phase at the bottom of the cycle, and hence real estate investment continued to decline. With shortage of project funds, there were fewer new construction projects, and projects under construction were making slow progress. The national cement demand showed signs of weak recovery. From January to June 2023, the country's total cement production volume increased by 1.3% year-on-year to 953 million tonnes. The growth rate continued to fall month by month, and compared to that for the January to May period, the growth rate declined by 0.6 percentage point.

Overview of the Group's two major markets – the central and downstream region of the Yangtze River and Sichuan region – in the first half of the year is as follows:

1. During January and February, being the traditional off-season, the industry's inventory in the Yangtze River's central and downstream region continued to stay at high levels since the end of the previous year. Recovery of cement demand had been slow as the real estate market remained sluggish. After late February, cement demand recovery accelerated. Moreover, the operation of kiln production lines along the river was suspended under staggered peak production program, easing the pressure on clinker inventory along the river. Such indicated that cement prices might rise. In April, rainy weather prevailed, while housing construction, infrastructure and other projects were plagued with financial problems. As a result, construction rate was low. This coupled with fewer new construction projects led to less cement demand when compared with the previous year. Simultaneously, the staggered peak production program in the industry basically came to an end. Cement supply along the river increased and pressure from competition rose. Cement price began to decline. From May to June, affected by festive holidays and high school and college entrance examinations, cement demand was depressed. Moreover, new production capacities along the river were put into operation, further escalating industry competition, with leading enterprises frequently lowering cement price to boost sales. Entering July, decline in cement price narrowed, as the price had basically reached its lowest level in the same period in recent years. Certain industry players, facing cost constraint, were unable to follow the price cut. Cement price is therefore expected to stop falling. Cement demand is expected to improve in the second half of the year but will be less than the same period last year.

2. In Sichuan, after the Spring Festival, affected by air pollution alerts and rainy weather, construction of downstream engineering projects and mixing plants was restricted. Industry players initiated sales promotion by cutting price in order to increase sales volume. By the end of February, local deliveries resumed to 70% to 80%, easing the pressure on inventory, while cement price rose. However, there were variations in price increments in the market. In March, the yellow alert for air pollution, which had restricted commencement of local project construction, together with the impact of low-priced cement from outside Sichuan had caused industry players to adjust their cement price in mid-March. In late March, the association released a plan for suspending kiln operation for 13 days/set for April, leading to strong expectations for reduction in cement supply and rebound in cement price. In April, cement deliveries from east Sichuan and Chongqing to Chengdu region began to increase. Local cement price fluctuated. By mid May, as the Chengdu World University Games was approaching, commencement of construction of new projects were delayed, cement demand shrank. Industry players began to cut their price or give rebates to customers in order to secure orders. The market experienced pricing chaos. June is the traditional off-peak season. Festive holidays and high school and college entrance examinations had relatively strong impact on cement demand. Furthermore, the low-priced cement from outside Sichuan continued to erode the local market. Cement price dropped again in late June. In July, with the World University Games about to open, mixing plants and the construction sites were basically closed, and cement demand further declined. However, during the same period, Sichuan began to implement power restrictions and kiln suspension, which reduced cement supply significantly. The local industry players slightly raised their cement price. It remains to be seen whether cement price can be maintained.

In the first half of 2023, the sales volume of the Group's cement products (cement + clinker) totaled 13.36 million tonnes, basically the same when compared with that of the same period in 2022. It is expected that with the improvement in demand in the second half of the year, the Group will be able to keep its sales channels unobstructed and maintain its market share.

Revenue

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Region		
Southeastern region	**2,257,503**	2,588,089
Central region	**550,985**	840,727
Southwestern region	**1,296,611**	1,518,165
	4,105,099	4,946,981

In the reporting period, the Group's revenue amounted to RMB4,105.1 million, representing an decrease of RMB841.9 million or 17% from that of RMB4,947.0 million for the corresponding period of 2022. The decrease in revenue was mainly attributable to decrease in the selling price of the Group's products.

In respect of revenue contribution for the six months ended 30 June 2023, sales of cement and related products accounted for 98% (2022: 97%) and the sales of ready-mix concrete accounted for 2% (2022: 3%). The table below shows the sales breakdown by product during the reporting period:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cement	**3,530,975**	3,935,483
Clinker	**316,606**	681,833
Blast-furnace slag powder	**14,532**	27,376
RMC	**76,976**	149,033
Others	**166,010**	153,256
	4,105,099	4,946,981

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 RMB3,459.1 million (2022: RMB4,173.5 million). The decrease in cost of sales was mainly due to the decrease in the coal cost.

The gross profit for the six months ended 30 June 2023 was RMB646.0 million (2022: RMB773.5 million), representing a gross profit margin of 16% on revenue (2022: 16%). The decrease in gross profit was mainly attributable to decrease in the selling price 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 2023, other income amounted to RMB100.1 million, representing a decrease of RMB5.1 million or 5% from RMB105.2 million for the corresponding period in 2022. The decrease in other income was attributable to the decrease in government grants and other incomes.

Other Gains and Losses

Other gains and losses mainly comprise net foreign exchange gain or loss, loss on fair value change on financial assets at FVTPL, loss and disposal of property, plant and equipment and allowance of doubtful debts. For the period under review, other gains amounted to RMB77.5 million, the losses of RMB19.3 million for the corresponding period in 2022. The increase in gains was principally attributable to the reverse in allowance of doubtful debts and gain on fair value change on financial assets at FVTPL.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For the six months ended 30 June 2023, the distribution and selling expenses amounted to RMB223.0 million, representing an increase of RMB17.0 million or 8% from RMB206.0 million for the corresponding period of 2022. 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 increase by 8%, to RMB166.0 million from RMB153.8 million for the corresponding period of 2022. The increase was attributable to increase in other expenses.

The finance costs amounted to RMB36.0 million, representing an increase of RMB22.4 million or 165% from RMB13.6 million for the corresponding period of 2022. Mainly due to the increase in average borrowing principal and borrowing rates during the review period.

Profit for the Period

In the reporting period, the net profit of the Group amounted to RMB200.3 million, representing a decrease of RMB121.9 million from a net profit of RMB322.2 million for the corresponding period of 2022. The decrease in net profit was mainly attributable to decrease in the selling price 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 2023. The total assets approximately RMB20,488.5 million (31 December 2022: approximately RMB21,146.3 million) while the total equity approximately RMB17,295.9 million (31 December 2022: approximately RMB17,390.9 million).

As at 30 June 2023, the Group’s cash and cash equivalents amounted to approximately RMB8,812.6 million (31 December 2022: approximately RMB8,900.4 million).

As at 30 June 2023, the Group’s gearing ratio was approximately 16% (31 December 2022: 20%). The calculation of the gearing ratio was based on total liabilities and total assets as at 30 June 2023 and 31 December 2022, respectively.

Borrowings

The maturity profiles of the Group's borrowings outstanding as at 30 June 2023 and 31 December 2022 are summarized as below:

	30 June 2023 *RMB'000* **(unaudited)**	31 December 2022 *RMB'000* (audited)
Within one year	**1,075,000**	1,014,000
Within a period more than one year but not exceeding two years	**595,000**	1,361,646
	1,670,000	2,375,646

Capital Expenditure and Capital Commitments

Capital expenditure for the six months ended 30 June 2023 amounted to approximately RMB109.4 million (31 December 2022: approximately RMB171.1 million) and capital commitments as at 30 June 2023 amounted to approximately RMB88.0 million (31 December 2022: approximately RMB57.7 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 2023, the Group did not have any pledge or charge on assets (31 December 2022: Nil).

Contingent Liabilities

As at the date of this announcement and as at 30 June 2023, the Board was not aware of any material contingent liabilities (31 December 2022: Nil).

Human Resources

As at 30 June 2023, the Group had 3,394 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 2023, 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 2023.

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 2022 and up to the date of this announcement.

PROSPECTS

Looking into the second half of 2023, there remains challenges and opportunities in the cement industry. The Group is cautiously optimistic about the development of the cement industry:

On the demand side, demand and confidence in the real estate industry are insufficient, and decline in real estate investment continues. But the meeting of the Political Bureau of the CPC Central Committee in July reset the tone towards the real estate market. The real estate policy will be adjusted and optimized, and the demand for housing construction in the second half of the year is expected to stabilize. Infrastructure investment, being a better counter-cyclical policy adjustment tool, is expected to continue to support the economy in the second half of the year and will maintain a relatively high growth rate. As effects from the Chinese government's proactive approach to advance infrastructure investment are gradually felt, local government special bonds have accelerated the pace of issuance, and key projects under the "14th Five-Year Plan" have been successively launched, thereby supporting cement demand. In the first half of the year, the national infrastructure investment grew by 7.2% year-on-year, which was 3.4 percentage points higher than the growth rate of total fixed asset investment, and growth in infrastructure investment played a significant role in driving economic growth. Overall, cement demand will continue to be under pressure in the third quarter, but will improve in the fourth quarter, with a trend from low to high.

On the supply side, since the second quarter, the cement industry had witnessed lower-than-expected demand during the peak season which resulted in rising inventory levels. Hence, companies in different regions began to extend their staggered peak production plan. As a result, overall supply in the industry reduced. Meanwhile, environmental protection and low-carbon requirements had been tightened as predicted. Certain areas imposed restrictions on power usage and production. Price competition in the cement market also intensified in the first half of the year. All these had put unprecedented pressure on the costs and selling prices of the industry as a whole. Small factories were exposed to higher risk of losses, while large factories' operations were under increasing pressure. It is expected that there is a strong possibility that leading industry players may propose to "stop the price war" due to their concerns over improvement in business performance. Moreover, companies' extending staggered peak production will become a normalized practice. On the whole, the aforesaid will be conducive to reducing the total cement supply and improve the supply and demand relationship.

All in all, the Group expects that the demand for cement in 2023 will continue to be weakened but the rate of decline will be narrowed. With the continued implementation of the national policy on promoting stable economic growth, the real estate industry is showing signs of stabilisation. In the second half of the year, cement demand is expected to pick up especially in the fourth quarter, and the trend for the entire year will most likely be "low at the beginning of the year, and high towards the end of the year". As impact from coal price weakened year-on-year, the Group envisaged that its operating results may improve quarter by quarter in the second half of the year.

In the second half of the year, the Group will persist with its business strategy of maintaining high efficiency, high quality, excellent service, and high environmental standards. It will step up its efforts in customer service to enhance the overall customer experience. Apart from that, the Group will continue to implement cost-efficiency measures, striving to reduce the costs of each stage of production process while ensuring quality. At the same time, the Group will rebuild a more effective business team structure so that the Group can better adapt to intensifying market competition, maintain its core market share and achieve predetermined performance targets.

CORPORATE GOVERNANCE

The Company has complied with all of the code provisions as set out in Part 2 of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2023.

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 2023, 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 2023, 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 2023 (six months ended 30 June 2022: 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 2023 for the six months ended 30 June 2023 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, 9 August 2023

As at the date of this announcement, the executive Directors are Mr. HSU Shu-ping, Mr. CHEN Ruey-long, 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.