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 NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 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 nine months ended 30 September 2023 was approximately RMB116.2 million.

The Directors of the Company are making this announcement of the Group's unaudited consolidated results for the nine months ended 30 September 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 nine months ended 30 September	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue	**5,715,769**	7,086,930
Cost of sales	**(4,870,015)**	(6,061,081)
Gross profit	**845,754**	1,025,849
Other income	**151,324**	120,553
Other gains and losses	**30,619**	21,171
Distribution and selling expenses	**(332,847)**	(316,453)
Administrative expenses	**(253,808)**	(233,631)
Share of (losses) profits of joint ventures	**(1,703)**	4,390
Share of losses of associates	**(4,580)**	(524)
Finance costs	**(55,256)**	(31,528)
Profit before tax	**379,503**	589,827
Income tax expenses	**(257,867)**	(207,041)
Profit for the period	**121,636**	382,786
Profit for the period attributable to:		
Owners of the Company	**116,164**	371,362
Non-controlling interests	**5,472**	11,424
	121,636	382,786
	RMB	*RMB*
Earnings per share:		
Basic	**0.074**	0.237

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
NON-CURRENT ASSETS		
Property, plant and equipment	**6,211,810**	6,583,410
Quarry	**833,729**	878,641
Right of use assets	**731,081**	748,504
Investment properties	**134,142**	134,142
Goodwill	**554,241**	554,241
Other intangible assets	**2,889**	3,760
Interest in joint ventures	**82,937**	84,640
Interest in an associate	**795,244**	799,824
Deferred tax assets	**147,447**	161,804
	9,493,520	9,948,966
CURRENT ASSETS		
Inventories	**630,547**	905,512
Trade and other receivables	**1,055,172**	1,252,660
Financial assets at fair value through profit or loss	**130,131**	117,156
Tax recoverable	**8,445**	8,303
Amount due from an associate	**7,976**	7,778
Amount due from a joint venture	**5,462**	5,461
Bank balances and cash	**9,010,049**	8,900,448
	10,847,782	11,197,318
CURRENT LIABILITIES		
Trade and other payables	**881,627**	948,248
Amount due to a joint venture	**22,647**	19,567
Amount due to an associate	**–**	256
Tax payables	**32,196**	58,900
Borrowings – due within one year	**1,068,000**	1,014,000
Lease liability	**8,135**	6,112
Contracts liabilities	**175,542**	148,141
	2,188,147	2,195,224
NET CURRENT ASSETS	**8,659,635**	9,002,094
TOTAL ASSETS LESS CURRENT LIABILITIES	**18,153,155**	18,951,060

	As at 30 September 2023 *RMB'000* *(Unaudited)*	As at 31 December 2022 *RMB'000* *(Audited)*
NON-CURRENT LIABILITIES		
Borrowings – due after one year	**740,000**	1,361,646
Lease liability	**91,365**	88,767
Provision for environmental restoration	**54,050**	58,168
Deferred tax liabilities	**50,538**	51,615
	935,953	1,560,196
NET ASSETS	**17,217,202**	17,390,864
CAPITAL AND RESERVES		
Share capital	**140,390**	140,390
Reserves	**16,712,537**	16,847,069
Equity attributable to owners of the Company	**16,852,927**	16,987,459
Non-controlling interests	**364,275**	403,405
TOTAL EQUITY	**17,217,202**	17,390,864

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the nine months ended 30 September	
	2023 *RMB'000* *(Unaudited)*	2022 *RMB'000* *(Unaudited)*
Net cash from operating activities	**1,241,916**	1,083,326
Net cash used in investing activities	**(214,103)**	(197,353)
Net cash (used in) from financing activities	**(918,212)**	352,410
Net increase in cash and cash equivalents	**109,601**	1,238,383
Cash and cash equivalents at beginning of the year	**8,900,448**	7,495,358
Cash and cash equivalents at 30 September	**9,010,049**	8,733,741

The Group's unaudited consolidated results for the nine months ended 30 September 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 nine months of 2023 (2022: Nil).

Business Review and Prospects

In the third quarter of 2023, despite the downward pressure from external risks and challenges as well as the interplay of multiple internal factors, the national economy showed strong signs of recovery and upbeat development, with positive changes in various sectors and indicators, which demonstrated the immense resilience, potential, and vitality of the China economy. However, as the economy was undergoing a recovery process, certain positive changes were still at an initial stage, and the relationship between the external environment and insufficient domestic demand, both of which affect economic growth, had not been fundamentally improved. Hence, the foundation for a stable recovery of the economy still needs to be further consolidated.

In the third quarter of 2023, the gross domestic product ("**GDP**") of China was RMB31.9992 trillion, up by 4.9% year-on-year. The GDP for the first three quarters amounted to RMB91.3027 trillion, up by 5.2% year-on-year. From January to September 2023, the national fixed asset investment increased by 3.1% year-on-year; the national infrastructure investment increased by 6.2% year-on-year; the manufacturing investment increased by 6.2% year-on-year; the national property development investment decreased by 9.1% year-on-year; the added value of the industrial enterprises above designated size increased by 4.5% year-on-year.

From January to September 2023, the total national cement output was 1.495 billion tonnes, down by 0.7% year-on-year, which was 1.1 percentage points lower than the growth rate for the period from January to August. In the third quarter, affected by a weak real estate market and hot weather, demand for cement remained sluggish; both the monthly output and the cumulative output of cement were at their lowest levels for the same period since 2011.

Situation of the Group's two major markets – the central and downstream region of the Yangtze River and Sichuan region – in the third quarter is as follows:

1. Markets in the central and downstream region of the Yangtze River: Affected by the weak real estate market and hot weather, cement market was depressed in the third quarter. In order to compete for market share, industry players lowered price to boost sales. Cement price continued the downward trend in the second quarter. After several months of market depression, cement price rose in September, driven by increasing raw material prices and the arrival of the traditional peak season of the cement sector. The market cooled off again due to the National Day Golden Week. Inventories of major enterprises increased significantly and cement price was on a downward trend again. In the third quarter, market prices from Wuhan to Shanghai in the central and downstream region of the Yangtze River were lowered by RMB10 to 30. Weak cement demand was expected to recover in the fourth quarter.

2. Sichuan region: Sichuan began to implement power rationing and kiln suspension in July. Cement supply reduced significantly, and local industry players slightly raised cement price. However, recovery in cement demand fell short of expectation after the Universiade ended in August; coupled with the sluggish cement market in Chongqing, a large amount of low-priced cement entered the markets neighbouring Chengdu, and local industry players adjusted prices twice in mid and late August in response. Entering September, the local cement market in Chengdu was characterized by "demand not robust during peak season", and the impact of low-priced cement from the outside still persisted; cement price continued to fall slightly. By late September, the entry of cement from the outside into Chengdu had slightly decreased but such outside cement had not completely retreated. Local industry players once again lowered cement price in order to compete for market share. The current consensus among local industry players in Sichuan is still alive, and it is expected that in the fourth quarter, a recovery in the cement market will be seen with seasonal cement demand unleashing.

From January to September 2023, the total sales volume of the Group's cement products (cement + clinker) amounted to 19.61 million tonnes, a decrease of 0.57 million tonnes or 2.8% from 20.18 million tonnes for the same period of 2022.

Looking into the fourth quarter, there are still challenges and opportunities in the cement industry. The Group remains cautiously optimistic:

1. With respect to the demand side, the real estate industry is still in the adjustment phase at the bottom of the cycle. Although policies to stabilize the real estate sector have been successively rolled out in this year, the financial stress faced by the industry has not been significantly improved. Such will drag on the recovery of cement demand. Infrastructure investment, being a better counter-cyclical policy adjustment tool, is expected to continue to support the economy. In the first three quarters, the national infrastructure investment increased by 6.2% year-on-year, which is 3.1 percentage points more than the growth rate of all fixed asset investment. Infrastructure investment growth has a significant impact on driving growth. As at 21 September, the cumulative new special bonds issued in China amounted to RMB3,275.5 billion, representing 86% of this year's new special bond quota has been used. With construction funds such as special bonds gradually made available, the construction progress of infrastructure projects will accelerate, which will help cement demand to bottom out and stabilize.

2. On the supply side, the cement market since September has remained slowed during a peak season. Demand fell short of expectations. Industry inventory level rose. Various enterprises extended the suspension period for their kilns. Supply across the industry decreased to certain extent. In the long run, it may not take too long for the cement industry to be covered in the national carbon emission trading scheme. It is a general trend to use energy consumption indicators, environmental performance index and carbon emission intensity as restrictions to force obsolete capacities not up to standard to leave the market. Moreover, with further improvement in the capacities swap policy, barrier to and cost of constructing new capacities will be raised significantly in future. On the whole, this will be conducive to the reduction of total cement supply, which will improve supply-demand relationship.

All in all, the Group believes that at present, most of the companies in the industry have reached their lowest level of profitability. There are strong expectations that major cement companies will improve business performance at the end of the year. Meanwhile, companies need to make plans in advance for their operation early next year. The cement market price is expected to reach within reasonable range. The Group's sales volume of cement products (cement + clinker) for the year 2023 is estimated to be approximately 27.09 million tonnes, representing a decline of 3.2% compared to the full year of 2022. In future, the Group will continue to 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 fully leverage its comprehensive advantages to continue to implement cost-efficiency measures, striving to reduce the costs of each stage of production process while ensuring quality. The Group will better adapt to intensifying market competition by leveraging a more effective business team structure so that the Group can maintain its core market share.

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

Hong Kong, 27 October 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.