ASIA CEMENT (CHINA) HOLDINGS CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 743)

2016 Interim Results Announcement

HIGHLIGHTS OF THE SIX MONTHS ENDED 30 JUNE 2016

Revenue decreased by 7% to approximately RMB2,809.0 million (2015: approximately RMB3,006.4 million).

Loss attributable to owners of the Company was RMB64.6 million (2015: Profit attributable to owners of the Company was approximately RMB9.9 million). The decrease in profit attributable to owners of the Company was mainly attributable to the decrease in average selling price of the Company's products and the foreign exchange loss from US dollar denominated bank borrowings as a result of the devaluation of Renminbi when compared with that of the corresponding period of the previous year.

Basic loss per share amounted to RMB0.041 (2015: Basic earning per share RMB0.006).

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Asia Cement (China) Holdings Corporation (the "Company"), the Company and its subsidiaries (collectively the "Group") hereby announces the unaudited condensed consolidated interim results for the six months ended 30 June 2016 together with comparative figures for the corresponding period in 2015. These interim condensed consolidated financial statements for the six months ended 30 June 2016 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 2016

		Six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue		**2,808,975**	3,006,396
Cost of sales		**(2,354,682)**	(2,578,665)
Gross profit		**454,293**	427,731
Other income	*4*	**43,530**	51,532
Other gains and losses	*5*	**(63,795)**	10,068
Distribution and selling expenses		**(208,530)**	(187,531)
Administrative expenses		**(138,278)**	(169,059)
Share of profit of jointly controlled entities		**1,664**	387
Share of profit (loss) of an associate		**359**	(897)
Finance costs		**(97,333)**	(89,494)
(Loss) profit before tax		**(8,090)**	42,737
Income tax expense	*6*	**(52,601)**	(30,151)
(Loss) profit for the period	*7*	**(60,691)**	12,586
Other comprehensive (loss) income:			
Fair value gain on hedging instruments designated in cash flow hedges		**–**	1,512
Total comprehensive (loss) income for the period		**(60,691)**	14,098
(Loss) profit for the period attributable to:			
Owners of the Company		**(64,588)**	9,854
Non-controlling interests		**3,897**	2,732
		(60,691)	12,586
Total comprehensive (loss) income for the period attributable to:			
Owners of the Company		**(64,588)**	11,366
Non-controlling interests		**3,897**	2,732
		(60,691)	14,098
		RMB	*RMB*
(Loss) earnings per share:	*9*		
Basic		**(0.041)**	0.006
Diluted		**(0.041)**	0.006

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2016

	Notes	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**10,544,043**	10,879,534
Quarry	*11*	**248,261**	256,476
Prepaid lease payments	*12*	**743,940**	640,879
Investment properties		**21,819**	20,950
Goodwill		**693,000**	693,000
Other intangible assets		**4,473**	4,638
Interest in a joint ventures		**76,009**	74,345
Interest in an associate		**17,270**	17,711
Restricted bank deposits		**29,325**	29,106
Deferred tax assets		**72,108**	72,531
Long term prepaid rental		**27,057**	29,057
		12,477,305	12,718,227
CURRENT ASSETS			
Inventories	*13*	**766,415**	740,781
Long term receivables – due within one year		**25,953**	27,953
Trade and other receivables	*14*	**1,976,992**	2,510,213
Prepaid lease payments	*12*	**21,937**	20,150
Loan to a related companies	*15*	**465,205**	456,935
Amount due from an associate		**2,146**	7,247
Amount due from a joint venture		**40,181**	36,058
Restricted bank deposits		**3,728**	4,366
Bank balances and cash		**589,124**	1,105,250
		3,891,681	4,908,953
CURRENT LIABILITIES			
Trade and other payables	*16*	**991,460**	1,041,963
Amount due to a joint venture		**17,195**	18,160
Amount due to ultimate holding company		**–**	828
Tax payables		**19,106**	10,847
Borrowings – due within one year		**3,643,570**	3,379,212
		4,671,331	4,451,010
NET CURRENT (LIABILITIES) ASSETS		**(779,650)**	457,943
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,697,655**	13,176,170

	Notes	**As at 30 June 2016** *RMB'000* **(Unaudited)**	As at 31 December 2015 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Borrowings – due after one year		**2,234,284**	3,565,860
Deferred tax liabilities		**20,310**	21,170
Provision for environmental restoration		**19,562**	18,214
		2,274,156	3,605,244
NET ASSETS		**9,423,499**	9,570,926
CAPITAL AND RESERVES			
Share capital	*17*	**140,390**	140,390
Reserves		**9,016,021**	9,158,952
Equity attributable to owners of the Company		**9,156,411**	9,299,342
Non-controlling interests		**267,088**	271,584
TOTAL EQUITY		**9,423,499**	9,570,926

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company											
	Share capital	**Share premium**	**Statutory reserves**	**Other reserves**	**Special reserve**	**Share option reserve**	**Hedging reserve**	**Investment revaluation reserve**	**Retained profits**	**Sub-total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015 (audited)	140,390	3,431,806	1,162,503	286,038	1,635,906	–	(2,876)	–	3,176,850	9,830,617	274,517	10,105,134
Profit for the period	–	–	–	–	–	–	–	–	9,854	9,854	2,732	12,586
Other comprehensive income for the period	–	–	–	–	–	–	1,512	–	–	1,512	–	1,512
Total comprehensive income for the period	–	–	–	–	–	–	1,512	–	9,854	11,366	2,732	14,098
Appropriation	–	–	200,973	–	–	–	–	–	(200,973)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	–	–	–
Dividends recognised as distribution	–	–	–	–	–	–	–	–	(235,028)	(235,028)	(9,345)	(244,373)
At 30 June 2015 (unaudited)	140,390	3,431,806	1,363,476	286,038	1,635,906	–	(1,364)	–	2,750,703	9,606,955	267,904	9,874,859
At 1 January 2016 (audited)	140,390	3,431,806	1,351,069	286,038	1,635,906	–	–	–	2,454,133	9,299,342	271,584	9,570,926
(Loss) profit for the period	–	–	–	–	–	–	–	–	(64,588)	(64,588)	3,897	(60,691)
Other comprehensive expense for the period	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive (expense) income for the period	–	–	–	–	–	–	–	–	(64,588)	(64,588)	3,897	(60,691)
Appropriation	–	–	58,858	–	–	–	–	–	(58,858)	–	–	–
Dividends recognised as distribution	–	–	–	–	–	–	–	–	(78,343)	(78,343)	(8,393)	(86,736)
At 30 June 2016 (unaudited)	140,390	3,431,806	1,409,927	286,038	1,635,906	–	–	–	2,252,344	9,156,411	267,088	9,423,499

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**854,174**	471,950
Net cash used in investing activities	**(117,332)**	(145,912)
Net cash used in financing activities	**(1,252,968)**	(478,889)
Net decrease in cash and cash equivalents	**(516,126)**	(152,851)
Cash and cash equivalents at beginning of the period	**1,105,250**	2,324,584
Cash and cash equivalents at end of the period, represented by bank balances and cash	**589,124**	2,171,733

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 financial instruments, which are measured at fair values.

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 2016 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied the following amendments to IFRSs which are mandatorily effective for the current interim period:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle

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. 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 2016 (unaudited)

	Cement business *RMB'000*	**Concrete business** *RMB'000*	**Total** *RMB'000*	**Elimination** *RMB'000*	**Consolidated** *RMB'000*
REVENUE					
External sales	**2,612,597**	**196,378**	**2,808,975**	**–**	**2,808,975**
Inter-segment sales	**33,557**	**14**	**33,571**	**(33,571)**	**–**
Total	**2,646,154**	**196,392**	**2,842,546**	**(33,571)**	**2,808,975**
RESULT					
Segment result	**158,163**	**8,589**	**166,752**	**(75,025)**	**91,727**
Unallocated income					**14,020**
Central administration costs, directors' salaries and other unallocated expense					**(18,527)**
Share of profit of jointly controlled entities					**1,664**
Share of profit of an associate					**359**
Finance costs					**(97,333)**
Loss before tax					**(8,090)**

Six months ended 30 June 2015 (unaudited)

	Cement business *RMB'000*	Concrete business *RMB'000*	Total *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
REVENUE					
External sales	2,703,367	303,029	3,006,396	–	3,006,396
Inter-segment sales	52,944	–	52,944	(52,944)	–
Total	2,756,311	303,029	3,059,340	(52,944)	3,006,396
RESULT					
Segment result	177,243	16,208	193,451	(51,781)	141,670
Unallocated income					12,307
Central administration costs, directors' salaries and other unallocated expense					(21,236)
Share of profit of jointly controlled entities					387
Share of loss of an associate					(897)
Finance costs					(89,494)
Profit before tax					42,737

Segment result represents the profit earned (loss incurred) by each segment without allocation of central administration costs, directors' salaries, share of results of jointly controlled entities 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.

4. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Government grant	**20,240**	14,479
Transportation fee income	**2,149**	4,635
Sales of scrap materials	**4,264**	2,323
Interest income on bank deposits	**8,152**	21,675
Rental income, net of outgoings	**2,594**	1,510
Others	**6,131**	6,910
	43,530	51,532

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Allowance for doubtful debts, net	**1,899**	5,194
Exchange (loss) gain, net	**(65,299)**	5,270
Loss on disposal of property, plant and equipment	**(395)**	(396)
	(63,795)	10,068

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
— PRC Enterprise Income Tax ("EIT")	**53,002**	36,246
Withholding tax paid	**–**	–
Underprovision (overprovision) in prior years	**36**	359
Deferred tax credit	**(437)**	(6,454)
	52,601	30,151

For the six months ended 30 June 2016 and 2015, 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 2016 and 2015.

7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging:		
Depreciation and amortisation	**436,358**	458,064

8. DIVIDENDS

A final dividend of RMB5 cents per share for the year ended 31 December 2015, amounting to RMB78,342,550, was paid during the six months ended 30 June 2016.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2016 and 2015.

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted earnings per share ((loss) profit for the period attributable to owners of the Company)	**(64,588)**	9,854
	'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

10. PROPERTY, PLANT AND EQUIPMENT

	Carrying value *RMB'000*
At 1 January 2015 (audited)	11,364,794
Additions	169,759
Depreciation for the period	(432,309)
Disposals	(4,301)
At 30 June 2015 (unaudited)	11,097,943
At 1 January 2016 (audited)	10,879,534
Additions	84,441
Depreciation for the period	(417,156)
Disposals	(2,776)
At 30 June 2016 (unaudited)	10,544,043

11. QUARRY

	Carrying value *RMB'000*
At 1 January 2015 (audited)	266,118
Additions	1,835
Amortisation during the period	(9,312)
At 30 June 2015 (unaudited)	258,641
At 1 January 2016 (audited)	256,476
Additions	–
Amortisation during the period	(8,215)
Disposals	–
At 30 June 2016 (unaudited)	248,261

12. PREPAID LEASE PAYMENT

	Carrying value *RMB'000*
At 1 January 2015 (audited)	681,266
Additions	–
Amortisation during the period	(12,159)
At 30 June 2015 (unaudited)	669,107
At 1 January 2016 (audited)	661,029
Transfer from deposits paid for land use rights	–
Additions	115,129
Amortisation during the period	(10,281)
At 30 June 2016 (unaudited)	765,877

13. INVENTORIES

	30 June 2016 *RMB'000* **(unaudited)**	31 December 2015 *RMB'000* (audited)
Spare parts and ancillary materials	**326,956**	350,869
Raw materials	**221,762**	207,560
Work in progress	**129,957**	99,798
Finished goods	**87,740**	82,554
	766,415	740,781

14. TRADE AND OTHER RECEIVABLES

	30 June 2016 *RMB'000* **(unaudited)**	31 December 2015 *RMB'000* (audited)
Trade receivables	**1,303,655**	1,328,696
Less: accumulated allowance	**(138,488)**	(139,676)
	1,165,167	1,189,020
Bills receivable	**605,876**	1,058,108
	1,771,043	2,247,128
Other receivables	**205,949**	265,417
Less: accumulated allowance	**–**	(2,332)
	1,976,992	2,510,213

The Group has a policy of allowing a credit period from 30 to 90 days for cement customers whereas longer credit term are occasionally allowed to certain selected customers with good credit histories. In addition, the Group's credit policy for the concrete customers are generally after the completion of the construction by the buyers, which on average is about 180 to 365 days.

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 2016 *RMB'000* **(unaudited)**	31 December 2015 *RMB'000* (audited)
0 – 90 days	**491,894**	486,041
91 – 180 days	**169,054**	235,112
181 – 365 days	**230,758**	220,202
Over 365 days	**273,461**	247,665
	1,165,167	1,189,020

15. LOAN TO A RELATED COMPANY

Loan to a related company of RMB465,205,000 is unsecured, interest free and repayable in June 2017.

16. TRADE AND OTHER PAYABLES

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade and bills payables	**449,228**	529,543
Other payables and accruals	**542,232**	512,420
	991,460	1,041,963
Analysed for reporting purposes as:		
Non-current liabilities	**–**	–
Current liabilities	**991,460**	1,041,963
	991,460	1,041,963

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 2016	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 – 90 days	**394,354**	449,018
91 – 180 days	**17,965**	47,006
181 – 365 days	**17,737**	10,295
Over 365 days	**19,172**	23,224
	449,228	529,543

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

17. SHARE CAPITAL

Issued share capital as at 30 June 2016 amounted to RMB140,390,000. There were no movements in the issued share capital of the Company for the six months ended 30 June 2016.

18. COMMITMENTS

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	(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	**582,770**	592,694

19. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Jointly controlled entities:		
Transportation expenses	**30,820**	42,139
Associate:		
Sale of goods	**2,133**	2,483
Ultimate holding company:		
Sale of goods	**26,635**	–

The remuneration of directors was as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Short-term employee benefits	**2,962**	2,576
	2,962	2,576

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

BUSINESS AND FINANCIAL REVIEW

Since 2016, despite facing a complex international situation and greater downward economic pressure, the central government has been maintaining steady growth, making structural adjustment, improving people's livelihood, and averting risk as its economy is adjusting to a new normal. In addition to moderately expanding overall demand, the central government also pushed ahead with structural reform on the supply side and cultivation of new driving forces for development, so that the economy continued to make progress while maintaining stability. In the first half of the year, the national GDP rose by 6.7% year-on-year, which was within a reasonable medium- to high-speed growth. Fixed assets investment in China saw a 9.0% year-on-year increase, while property development investment rose by 6.1% year-on-year.

According to the statistics of China Cement Association, in the first half of 2016, there were eight additional clinker production lines commencing production, with a total increased capacity of 10.85 million tonnes. Benefiting from the government's intensified implementation of structural reform on the supply side and the increasing number of infrastructure projects and affordable housing commencing construction, cement market demand saw a slight increase. From January to June 2016, the national cement output reached 1,109.05 million tonnes, representing an increase of 31.90 million tonnes or 3.0% from 1,077.15 million tonnes for the same period of 2015. Driven by the recovery of market demand, cement price bottomed out and rose since March until it experienced a slight decrease in June, due to continued rainy weather and rapid rise in the inventory of industry players. In light of the above factors, despite a moderate price increase in the second quarter and improvement in industry efficiency, the accumulated profit for the first half of the year dropped significantly. According to the data disclosed by the National Bureau of Statistics, total profit of the national cement industry from January to May 2016 saw a 52% year-on-year decrease.

During the first half of 2016, the Group, with an attitude of respect and determination to improve itself, explored potential from various aspects and carried out thorough review and analysis of its weakness, with an aim to increase the Company's efficiency. The Group continued to implement various cost-efficient measures using pragmatic and effective approach. Through measures such as optimizing fuel procurement channels, maintaining and repair production equipment, lowering product storage and transportation fee, the Group reduced various costs. In the first half of 2016, the Group's overall cost of cement decreased by 17% from that of the same period of 2015. In terms of sales, subsidiaries of the Group, fully engaged in market competition, continued to expand sales volume and market share in the surrounding areas of the factories, actively participated in tenders for key and large-scale projects, and strove to expand export sales volume. The abovementioned efforts enabled the Group to continue to achieve full disposal of all output during the first half of 2016, with an aggregate sales volume of cement and clinker of 14.67 million tonnes, representing an increase of 1.72 million tonnes or 13.3% from 12.95 million tonnes for the same period of 2015. However, affected by the poor market environment, the Group's average cement price in the first half of 2016 dropped by 16% when compared with that of the same period of 2015. Moreover, the Group recorded a significant non-operating loss (foreign exchange loss from US dollar-denominated bank borrowings as a result of the devaluation of Renminbi). As a result, the Group continued to report a loss for the first half of 2016.

Revenue

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

	For the six months ended	
	30 June 2016	30 June 2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Region		
Southeastern region	**1,012,061**	1,153,551
Central region	**710,875**	831,961
Southwestern region	**774,590**	720,199
Eastern region	**311,449**	300,685
Total	**2,808,975**	3,006,396

In the reporting period, the Group's revenue amounted to RMB2,809.0 million, representing a decrease of RMB197.4 million or 7% from that of RMB3,006.4 million for the corresponding period of 2015. The decrease in revenue was mainly attributable to the decrease in average selling price of the Company's products.

In respect of revenue contribution for the six months ended 30 June 2016, sales of cement and related products accounted for 94% (2015: 90%) and the sales of ready-mix concrete accounted for 6% (2015: 10%). The table below shows the sales breakdown by product during the reporting period:

	For the six months ended	
	30 June 2016	30 June 2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cement	**2,522,339**	2,534,675
Clinker	**74,773**	152,756
Blast-furnace slag powder	**15,514**	14,235
RMC	**174,165**	303,029
Others	**22,184**	1,701
Total	**2,808,975**	3,006,396

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 RMB2,354.7 million (2015: RMB2,578.7 million). The decrease in cost of sales was mainly due to the decrease in coal cost.

The gross profit for the six months ended 30 June 2016 was RMB454.3 million (2015: RMB427.7 million), representing a gross profit margin of 16% on revenue (2015: 14%). The increase in gross profit was mainly attributable to the net effect of decrease in average selling price of cement products and coal cost 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 2016, other income amounted to RMB43.5 million, representing a decrease of RMB8.0 million or 16% from RMB51.5 million for the corresponding period in 2015. The decrease in other income was attributable to the decrease in interest incomes during the period under review.

Other Gains and Losses

Other gains and losses mainly comprise net foreign exchange loss and allowance of doubtful debts. For the period under review, other losses amounted to RMB63.8 million, representing a decrease of RMB73.9 million from the gains of RMB10.1 million for the corresponding period in 2015. The increase in losses was principally attributable to the increase in foreign exchange loss from US dollar denominated bank borrowings.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For the six months ended 30 June 2016, the distribution and selling expenses amounted to RMB208.5 million, representing an increase of RMB21.0 million or 11% from RMB187.5 million for the corresponding period of 2015. The increase in distribution and selling expenses was attributable to increase in transportation cost of cement products during the period under review.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses decreased by 18%, to RMB138.3 million from RMB169.1 million for the corresponding period of 2015. The decrease was attributable to decrease in bonus payment to staff during the period under review.

The finance costs increased by 9% was mainly due to the Group increased the proportion of RMB bank borrowings which carry higher interest rate to improve its loan portfolio.

(Loss) Profit for the Period

In the reporting period, the net loss of the Group amounted to RMB60.7 million, representing a decrease of RMB73.3 million from a net profit of RMB12.6 million for the corresponding period of 2015. The deterioration in net profit was mainly attributable to a decrease in average selling price of cement products and increase in exchange loss from US dollar denominated bank borrowings as a result of the devaluation of Renminbi.

Financial Resources and Liquidity

The Group maintained a healthy financial and liquidity position for the six months ended 30 June 2016. The total assets decreased by 7% to approximately RMB16,369.0 million (31 December 2015: approximately RMB17,627.2 million) while the total equity decreased by 2% to approximately RMB9,423.5 million (31 December 2015: approximately RMB9,570.9 million).

As at 30 June 2016, the Group's cash and cash equivalents amounted to approximately RMB622.2 million (31 December 2015: approximately RMB1,138.7 million).

As at 30 June 2016, the Group's gearing ratio was approximately 42% (31 December 2015: 46%). The calculation of the gearing ratio was based on total liabilities and total assets as at 30 June 2016 and 31 December 2015, respectively.

Borrowings

The maturity profiles of the Group's borrowings outstanding as at 30 June 2016 and 31 December 2015 are summarized as below:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within one year	**3,643,570**	3,379,212
In the second year	**2,234,284**	1,161,184
In the third to fifth year	**–**	2,404,676
	5,877,854	6,945,072

Capital Expenditure and Capital Commitments

Capital expenditure for the six months ended 30 June 2016 amounted to approximately RMB200.1 million (31 December 2015: approximately RMB415.3 million) and capital commitments as at 30 June 2016 amounted to approximately RMB582.8 million (31 December 2015: approximately RMB592.7 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 2016, the Group did not have any pledge or charge on assets.

Contingent Liabilities

As at the date of this announcement and as at 30 June 2016, the Board was not aware of any material contingent liabilities.

Human Resources

As at 30 June 2016, the Group had 4,320 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 2016, 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

Save for the aforesaid, the Group had no significant investment, material acquisitions or disposals for the six months ended 30 June 2016.

Foreign Exchange Risk Management

The Group's sales and purchases during the reporting period were mostly denominated in Renminbi. However, some of the Group's bank borrowings were denominated in other foreign currencies.

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.

Prospects

Looking into the second half of the year, the Group is cautiously optimistic about the development of the cement industry. From a macro perspective, China's economy will continue to make progress while maintaining stability. The government will continue to proactively carry out effective fiscal policies and prudent monetary policies to ensure continued economic growth. The Group expects that in the second half of the year, cement market demand will moderately increase while cement price will continue the upward trend in the second quarter. In early June, China Cement Association announced the "Action plan of the cement industry for deepening reform on the supply side, maintaining steady growth, industry restructuring, and increasing efficiency", with an aim to jointly enhance the operation efficiency of the cement industry and to improve the industry's economic benefits. In July, China Cement Association also held a "Conference for the exchange of ideas to maintain steady growth, achieve industry restructuring, and increase efficiency" in Urumqi, Xinjiang, with the aim to facilitate the improvement of economic benefits of the national cement industry by eliminating excessive capacity, and shoring up weakness, as well as through enterprises' self-discipline and self-improvement. The aforesaid action plan provides a specific and clear direction for the development of the cement industry, has a significant positive impact on reform of the supply side, and is beneficial to improving the supply and demand relationship. As such, the outlook for cement industry development is promising. Moreover, in light of flooding in the Yangtze River basins and various cities since June, the development of sponge cities has become imperative. Owing to the rainy weather, the preliminary works of a number of construction sites had been delayed. Their progress is expected to speed up after weather conditions improve. Projects such as urban rail transit, airport, high speed rail, highways and rural road improvement will continue to be rolled out, while property sales gradually recover. All these will drive cement market demand.

The Group expects that cement price in the third quarter will continue the upward trend in the second quarter. Entering the fourth quarter, which is the traditional peak season of the industry, both sales volume and price in the cement industry will soar high.

While pursuing innovation and change, the Group will firmly carry out organizational restructuring, in an attempt to further "lower cost and improve efficiency", deepen business system reform, strengthen the training of management and staff at all levels, fully leverage the innovative thinking of its workforce, and encourage its staff to improve their own work. All this is to enhance the Company's operating results and performance. In addition to the continued enhancement and revolution in management approach, the Group will continue to fulfil its environmental protection obligation, and spare no efforts to perform its corporate social responsibilities. All in all, although the macro environment cannot be changed, the Group will, under the prevailing situation, strive to achieve better operating performance and maximise values for its shareholders, employees, and society.

CORPORATE GOVERNANCE

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2016, except the following:

Code provision A.1.8 of the CG Code requires that the Company should arrange appropriate insurance cover in respect of legal action against its directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of actual litigation against the Directors is low. Nevertheless, the Board will review this arrangement from time to time in light of the prevailing circumstances and arrange for appropriate insurance coverage as soon as practicable.

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Lee Kao-chao, an independent non-executive Director was unable to attend the annual general meeting and extraordinary general meeting of the Company held on 24 May 2016 due to his overseas commitments.

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 financial reporting processes 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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.

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.

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

The Company's Interim Report 2016 for the six months ended 30 June 2016 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.

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

Hong Kong, 8 August 2016

As at the date of this announcement, the executive Directors are Mr. CHANG Tsai-hsiung, Mr. HSU Shu-ping, Dr. WU Chung-lih, Mr. CHANG Chen-kuen, Mr. LIN Seng-chang and Ms. WU Ling-ling and 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.