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)

UNAUDITED RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

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 2017. 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 loss attributable to owners for the three months ended 31 March 2017 was approximately RMB70.0 million.

The Directors of the Company are making this announcement of the Group's unaudited consolidated results for the three months ended 31 March 2017 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	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue	**1,338,463**	1,198,722
Cost of sales	**(1,182,786)**	(1,079,703)
Gross profit	**155,677**	119,019
Other income	**22,473**	22,886
Other gains and losses	**3,027**	6,261
Distribution and selling expenses	**(85,504)**	(94,188)
Administrative expenses	**(65,703)**	(68,853)
Share of profit of a jointly controlled entity	**419**	589
Share of profit (loss) of an associate	**(30)**	141
Finance costs	**(88,319)**	(47,366)
(Loss) Profit before tax	**(57,960)**	(61,511)
Income tax expenses	**(11,566)**	(1,327)
(Loss) Profit for the period	**(69,526)**	(62,838)
Attributable to:		
Owners of the Company	**(69,958)**	(62,741)
Non-controlling interests	**432**	(97)
	(69,526)	(62,838)

Consolidated Statement of Financial Position

	As at 31 March 2017 *RMB'000* *(Unaudited)*	As at 31 December 2016 *RMB'000* *(Audited)*
NON-CURRENT ASSETS		
Property, plant and equipment	**9,883,379**	10,079,179
Quarry	**246,123**	250,322
Prepaid lease payments	**728,866**	735,033
Investment properties	**20,370**	20,370
Goodwill	**693,000**	693,000
Other intangible assets	**4,073**	4,431
Interest in joint ventures	**64,144**	63,725
Interest in an associate	**16,991**	17,021
Restricted bank deposits	**29,861**	29,758
Deferred tax assets	**74,177**	68,979
Long term prepaid rental	**22,783**	24,283
	11,783,767	11,986,101
CURRENT ASSETS		
Inventories	**782,957**	767,818
Long term receivables – due within one year	**–**	25,953
Trade and other receivables	**2,115,392**	2,039,576
Prepaid lease payments	**23,279**	23,279
Loan to related companies	**546,556**	476,683
Amount due from an associate	**3,584**	3,752
Amount due from a joint venture	**40,460**	40,465
Restricted bank deposits	**6,810**	5,108
Bank balances and cash	**523,109**	533,420
	4,042,147	3,916,054
CURRENT LIABILITIES		
Trade and other payables	**846,281**	969,138
Amount due to a joint venture	**13,532**	13,479
Tax payables	**47,601**	48,015
Borrowings – due within one year	**2,244,193**	1,928,934
	3,151,607	2,959,566
NET CURRENT ASSETS	**890,540**	956,488
TOTAL ASSETS LESS CURRENT LIABILITIES	**12,674,307**	12,942,589

	As at 31 March 2017 *RMB'000* *(Unaudited)*	As at 31 December 2016 *RMB'000* *(Audited)*
NON-CURRENT LIABILITIES		
Borrowings – due after one year	**3,063,274**	3,262,563
Deferred tax liabilities	**22,413**	22,327
Provision for environmental restoration	**22,998**	22,551
	3,108,685	3,307,441
NET ASSETS	**9,565,622**	9,635,148
CAPITAL AND RESERVES		
Share capital	**140,390**	140,390
Reserves	**9,144,213**	9,214,171
Equity attributable to owners of the Company	**9,284,603**	9,354,561
Non-controlling interests	**281,019**	280,587
TOTAL EQUITY	**9,565,622**	9,635,148

Condensed Consolidated Cash Flow Statement

	For the three months ended 31 March	
	2017 *RMB'000* *(Unaudited)*	2016 *RMB'000* *(Unaudited)*
Net cash from operating activities	**24,709**	507,295
Net cash used in investing activities	**(62,671)**	(120,810)
Net cash (used in) from financing activities	**27,651**	(611,260)
Net decrease in cash and cash equivalents	**(10,311)**	(224,775)
Cash and cash equivalents at beginning of the year	**533,420**	1,105,250
Cash and cash equivalents at 31 March	**523,109**	880,475

The Group's unaudited consolidated results for the three months ended 31 March 2017 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 2016.

The Directors do not recommend payment of a dividend in respect of the first three months of 2017 (2016: Nil).

Business Review and Prospects

The overall macro-economy in the first quarter of 2017 had stabilized compared to 2016. As the government's various measures aiming to maintain stable growth began to take effect, the economy had showed signs of steady recovery. The national GDP in the first quarter continued to grow within a reasonable range of medium- to high-speed rate. Total fixed assets investment from January to February increased by 8.9 per cent year-on-year, and property development investment increased by 8.9 per cent year-on-year.

The period from January to February is the traditional low season for the cement industry. Often, significant decline in demand would result in intensified market competition, and product price would drop. However, property investment and infrastructure investment, which are closely related to cement demand, both showed good growth momentum in early 2017. Hence, the national cement output did not experience significant decline even in low season. From January to February in 2017, the national cement production volume amounted to 240 million tonnes, maintaining at the same level compared to the same period in 2016. All this while, self-discipline among industry players was strengthened and off-peak season production was strictly implemented. On top of this, the government and the China Cement Association implemented various policies on eliminating excess capacity, structural adjustment and price stabilization. Volatility of cement price from January to February slowed down, and into March, several rounds of increase in cement price took place. In the first quarter of 2017, cement market got off to a flying start, paving the way for a promising performance for the whole year.

The Group proactively complied with the government and the industry association's policies and worked towards a consensus on self-discipline. Price decline moderated in 2017 due to off-peak season production. The Group's cement price in the first quarter increased by 26 per cent year-on-year. However, as the Group's production facilities in Hubei and Sichuan complied with government's policy on off-peak season production, the Group's sales volume of cement and clinker in the first quarter was 5.72 million tonnes, representing a decrease of 700,000 tonnes or 11 per cent from 6.42 million tonnes for the corresponding period of 2016.

China will implement various policies on reforms in 2017. At China's "two sessions" held in March, the government had set the expected GDP growth rate for 2017 at 6.5 per cent. The macro-economy will therefore maintain a mid to high-speed growth rate. With the implementation of a series of government policies on supply-side structural reform aiming at "eliminating excess capacity, clearing inventory, deleveraging, reducing costs and shoring up weakness", the Group is of the view that there are still vast opportunities in the cement market. Our confidence lies in the following areas:

First, favourable factors to the demand side keep coming up. 1. Growth rate in fixed assets investment in China continued to rise; from January to February 2017, fixed assets investment in highway construction amounted to RMB160.1 billion, representing a year-on-year increase of 36 per cent; railway construction in the Yangtze River Delta this year will reach its peak again, with a total investment of RMB226.2 billion and the commencement of construction of 12 projects. 2. Growth rate in property development investment rose substantially. The area under construction and new construction of housing maintained a relatively good momentum of growth; meanwhile, the area of land acquired also rose year-on-year as compared to a year-on-year decline experienced in the previous year; these are strong signs of recovery in the property market. 3. The third batch of free trade zones had been established and opened. The Group will benefit from Wuhan in the Hubei Free Trade Zone and Chengdu in the Sichuan Free Trade Zone, etc.

The cement industry structure will further improve: while new supply of capacity will be restricted, there will be consolidation of existing capacities; obsolete capacities will be eliminated through market coordination and government regulatory measures. On 21 March, "2017 Roundtable Meeting for Leaders of Large-scale Cement Enterprises in China (12+3 Summit)" was held in Kunming, Yunnan. The meeting proposed the theme of "excess supply elimination through supply side reform; increase in efficiency through regional market coordination". China Cement Association had proposed the organisation of provincial-level and regional-level cement investment management companies. The proposal contains unconventional ideas: a cement investment management company will be established as a vehicle to manage a specialised fund for industry restructuring projects, and to realise the elimination of excess capacity on provincial and regional levels under the "13th Five-year Plan"; market consolidation will be achieved through the cement investment management company, thereby paving the way for a market with an optimum capacity and raising the industry concentration level.

The China cement market faces with excess capacity and insufficient domestic demand. However, cement export will maintain stable growth in 2017. From January to February 2017, the export volume of domestic cement and clinker amounted to 2.75 million tonnes, representing a year-on-year growth of 15 per cent. With the gradual implementation of the "One Belt, One Road" strategy, more cement products and capacity of large-scale enterprises will be exported to overseas markets, which will help ease the pressure on domestic market.

Last, the government work report for the current year disclosed a new round of measures to reduce tax and fees. The amount of tax and fee reduction is expected to reach RMB350 billion. At the same time, various provincial governments will also introduce a number of policies in line with tax and fee reduction. With the burden of various taxes and fees reduced, enterprises will be able to lower their cost and increase profit.

Starting from the second quarter, with the increase in self-discipline among industry players, the implementation of a series of government policies on eliminating excess capacity and demand driven by the commencement of construction of more key projects, the Group expects that the cement market price will continue to rise while maintaining stability. The Group will continue to move in the direction it has set: strive to reduce its costs further, extend industrial chain, carry out talent grooming and improve internal management, as well as continue to achieve full disposal of all output. It is expected that the Group's sales volume of cement and clinker in the first half of the year will reach more than 14.50 million tonnes, which is similar to that of the same period of 2016. The Group's management will use its best efforts to strive to achieve its profit goal.

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

Hong Kong, 28 April 2017

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, the non-executive Director and Chairman is Mr. HSU Shu-tong, the independent non-executive Directors are Mr. TSIM Tak-lung Dominic, Mr. LEE Kao-chao, Mr. WANG Wei and Dr. WANG Kuo-ming.