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## **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 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 nine months ended 30 September 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 profit attributable to owners for the nine months ended 30 September 2017 was approximately RMB185.4 million.

The Directors of the Company are making this announcement of the Group’s unaudited consolidated results for the nine months ended 30 September 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

	<b>For the nine months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	<b>5,189,298</b>	4,338,842
Cost of sales	<b>(4,175,575)</b>	(3,603,842)
Gross profit	<b>1,013,723</b>	735,000
Other income	<b>62,267</b>	53,790
Other gains and losses	<b>(9,476)</b>	(62,560)
Distribution and selling expenses	<b>(293,490)</b>	(320,267)
Administrative expenses	<b>(195,262)</b>	(204,136)
Share of profit of a jointly controlled entity	<b>1,551</b>	1,578
Share of (loss) profit of an associate	<b>(9)</b>	197
Finance costs	<b>(213,805)</b>	(153,776)
Profit before tax	<b>365,499</b>	49,826
Income tax expenses	<b>(165,144)</b>	(82,410)
Profit (Loss) for the period	<b>200,355</b>	(32,584)
Profit (Loss) for the period attributable to:		
Owners of the Company	<b>185,421</b>	(40,759)
Non-controlling interests	<b>14,934</b>	8,175
	<b>200,355</b>	(32,584)
	<b>RMB</b>	<b>RMB</b>
Earnings (Loss) per share:		
Basic	<b>0.118</b>	(0.026)
Diluted	<b>0.118</b>	(0.026)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at <b>30 September</b> <b>2017</b> <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2016 <i>RMB'000</i> <i>(Audited)</i>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	9,480,999	10,079,179
Quarry	239,713	250,322
Prepaid lease payments	714,489	735,033
Investment properties	64,884	20,370
Goodwill	693,000	693,000
Other intangible assets	4,427	4,431
Interest in joint ventures	63,986	63,725
Interest in an associate	17,012	17,021
Restricted bank deposits	30,154	29,758
Deferred tax assets	73,885	68,979
Long term prepaid rental	22,000	24,283
	<b>11,404,549</b>	11,986,101
<b>CURRENT ASSETS</b>		
Inventories	735,647	767,818
Long term receivables – due within one year	–	25,953
Trade and other receivables	2,555,400	2,039,576
Prepaid lease payments	24,014	23,279
Loan to related companies	546,602	476,683
Amount due from an associate	6,997	3,752
Amount due from a joint venture	45,777	40,465
Restricted bank deposits	9,228	5,108
Bank balances and cash	672,839	533,420
	<b>4,596,504</b>	3,916,054
<b>CURRENT LIABILITIES</b>		
Trade and other payables	920,529	969,138
Amount due to a joint venture	27,744	13,479
Tax payables	66,124	48,015
Borrowings – due within one year	2,652,242	1,928,934
	<b>3,666,639</b>	2,959,566
<b>NET CURRENT ASSETS</b>	<b>929,865</b>	956,488
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>12,334,414</b>	12,942,589

	<b>As at 30 September 2017 RMB'000 (Unaudited)</b>	<b>As at 31 December 2016 RMB'000 (Audited)</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings – due after one year	2,512,777	3,262,563
Deferred tax liabilities	21,572	22,327
Provision for environmental restoration	25,528	22,551
	<u>2,559,877</u>	<u>3,307,441</u>
<b>NET ASSETS</b>	<b><u>9,774,537</u></b>	<b><u>9,635,148</u></b>
<b>CAPITAL AND RESERVES</b>		
Share capital	140,390	140,390
Reserves	9,352,586	9,214,171
	<u>9,492,976</u>	<u>9,354,561</u>
Equity attributable to owners of the Company	9,492,976	9,354,561
Non-controlling interests	281,561	280,587
	<u>9,774,537</u>	<u>9,635,148</u>
<b>TOTAL EQUITY</b>	<b><u>9,774,537</u></b>	<b><u>9,635,148</u></b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>For the nine months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net cash from operating activities	510,990	1,209,275
Net cash used in investing activities	(70,322)	(134,701)
Net cash used in financing activities	(301,249)	(1,592,744)
	<u>139,419</u>	<u>(518,170)</u>
Net increase (decrease) in cash and cash equivalents	139,419	(518,170)
Cash and cash equivalents at beginning of the year	533,420	1,105,250
	<u>672,839</u>	<u>587,080</u>
Cash and cash equivalents at 30 September	<b><u>672,839</u></b>	<b><u>587,080</u></b>

The Group's unaudited consolidated results for the nine months ended 30 September 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 nine months of 2017 (2016: Nil).

## **Business Review and Prospects**

During the third quarter of 2017, the supply-side reform continued to deepen, while the implementation of “eliminating excess capacity, inventory depletion, deleveraging, reducing costs and shoring up weakness” had shown significant effect. The policy of property inventory depletion has contributed to recovery in property sales and property development investment. The revival of global economy has brought along China's export growth, export contribution has induced the nation's economic growth. Driven by the multiplied effect of supply-side reform, property market recovery and international economy recovery, the state's economy remained stable with a steady growth and favourable progress. From January to August 2017, fixed assets investment in China increased by 7.8% year-on-year, representing a 0.3 percentage point decrease from that of the same period last year. Infrastructure investment increased by 19.8% year-on-year, representing a slight decrease of 0.1 percentage point from that of the same period last year. Property development investment increased by 7.9% year-on-year, representing 2.5 percentage points increase from that of the same period last year.

The steady improvement in various investment guidelines especially the growth in property development investment which had exceeded general expectation had a positive impact on cement consumption demand. From January to August 2017, the national cement output was 1,537.05 million tonnes, representing a slight decrease of 3.56 million tonnes or 0.2% from 1,540.61 million tonnes of the same period of 2016.

In mid-August, 10 departments under the State Council requested the implementation of the cement industry's off-peak production, from 15 November 2017 to 15 March 2018, in four provinces (Hebei, Shanxi, Shandong and Henan) and two metropolises (Beijing and Tianjin) in Northern China to mitigate air pollution. As a result, a large amount of clinker from such provinces as Jiangxi, Anhui and Jiangsu in the central and downstream regions of the Yangtze River were sold outside the aforementioned regions capitalising on waterway transportation along the Yangtze River and hence there was a relatively low inventory at companies along the kiln network since late September. Looking into the fourth quarter, with the realisation of off-peak production in Northern China and the relatively low stock of clinker, the insufficient supply in cement and clinker will intensify in the central and downstream region of the Yangtze River where the Group is located, with the upward trend of cement and clinker prices to continue.

In the Chengdu region, due to severe imbalance in supply and demand in the market, China Cement Association conducted several meetings to call for deepening supply-side reform for enhancement of overall industry efficiency, however, promulgated measures failed to come into effective. Moreover, peers in the nearby areas continued to penetrate Chengdu market through lower prices. As a result, cement selling prices remained at a low level. Cement price revived for a short while as a result of the environmental protection inspection in September, but prices retreated soon afterward.

From January to September 2017, the Group sold a total of 21.50 million tonnes of cement products, representing a decrease of 1.14 million tonnes or 5.0% from 22.64 million tonnes of the same period of 2016. The slight decrease was due to compliance of the nation's off-peak production policy, in spite of that, the Group basically achieved full disposal of all output. The prices of raw materials and fuel rose several times this year. The Group managed to effectively control production costs through implementation of various measures, including importing coal. In the third quarter, with the improvement in the cement market and cement prices, the Group recorded profits of over RMB200 million from January to September 2017.

Looking into the fourth quarter, the Group expects the cement sector's output and sales will be on the rise. From a macro perspective, various economic guidance, in particular, the growth in property investment and export which exceeded expectation, served to boost the confidence in stable economic growth. Meanwhile, a railway investment plans worthing tens of billions of RMB was announced by such provinces as Jiangsu and Hubei with construction to be actively commenced this year, indicating the inauguration of a new round of infrastructure investment. The aforesaid favourable factors will effective drive growth cement market demand. According to the experts' estimation, demand of cement market in 2017 will remain at the same level as 2016 and stable demand will be conducive to solidification of market confidence. On July 26, "2017 General Assembly on Eliminating Excess Capacity, Enhancing Self-discipline and Improving Efficiency in the industry" was held in Wuhu, Anhui, and "Action Plan for Eliminating Excess Capacity in Cement Industry (2017–2020)" (discussion paper) was published to promulgate multiple measures at the same time for decisive elimination excess capacity. Through the measures of environmental protection, tax levies and adjustment of nation standards, small-scale cement companies, those fail to reach the mission requirement or those incapable of producing cement of high grade products, will face a tougher operation environment or be phased out of the industry. The whole cement industry will be moving toward the goals of "stabilizing growth, adjusting structures and increasing efficiency".

In view of the above, cement price in the fourth quarter is expected to continue upward trend, and earnings of the whole industry will grow substantially from those of the first three quarters. Cement prices are going to be driven up by implementation of off-peak production, measures for enhancing market equilibrium through leading players initiative for self-discipline in production and supply-side reform, along with environmental protection requirement and upsurge in coal prices. As for the Group, we estimate that the total sales volume of cement products in 2017 will reach 30.20 million tonnes, with sales volume of cement products in the fourth quarter forecasting to be 8.70 million tonnes, representing an increase of 0.48 million tonnes from 8.22 million tonnes of the fourth quarter of 2016. Earnings of the Group is expected to surge significantly.

The management remains optimistic and confident about the outlook for of the Group's profitability in the fourth quarter of 2017. We will spend more efforts on improving operation efficiency, reducing various costs and optimising human resources. In addition, we will adhere to the government's policies on urban waste and sludge treatment to actively fulfil our corporate social responsibility. All in all, the Group will capitalise on the current favourable situation, to strive to achieve better operating performance, thereby creating greater values for its shareholders, employees, and society.

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

Hong Kong, 30 October 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. WANG Wei, Mr. LEE Kao-chao and Dr. WANG Kuo-ming.*