Asia Cement (China) Holdings Corporation

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 743)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 23% to RMB7,815.5 million (2016: approximately RMB6,338.2 million).
- Profit attributable to owners of the Company was RMB602.4 million (2016: Profit attributable to owners of the Company approximately RMB133.6 million).
- Basic earnings per share amounted to RMB0.384 (2016: Basic earnings per share RMB0.085).
- The Board proposed a final dividend of RMB15.5 cents per share.

THE FINANCIAL STATEMENTS

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 audited consolidated results of the Group for the year ended 31 December 2017, together with the comparative figures for 2016 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2017

	NOTES	**2017** **RMB'000**	2016 *RMB'000*
Revenue	*3*	**7,815,527**	6,338,152
Cost of sales		**(5,905,183)**	(5,088,000)
Gross profit		**1,910,344**	1,250,152
Other income	*4*	**101,821**	90,981
Other gains and losses	*5*	**(81,325)**	(104,614)
Distribution and selling expenses		**(398,141)**	(431,594)
Administrative expenses		**(275,869)**	(254,828)
Finance costs		**(275,388)**	(222,424)
Share of profits of joint ventures		**3,334**	2,539
Share of profit of an associate		**54**	110
Profit before tax		**984,830**	330,322
Income tax expense	*6*	**(348,627)**	(179,364)
Profit and total comprehensive income for the year	*7*	**636,203**	150,958
Profit for the year attributable to:			
Owners of the Company		**602,377**	133,562
Non-controlling interests		**33,826**	17,396
		636,203	150,958
		RMB	*RMB*
Earnings per share	*9*		
Basic		**0.384**	0.085
Diluted		**0.384**	0.085

Consolidated Statement of Financial Position
At 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**9,301,776**	10,079,179
Quarry		**201,736**	250,322
Prepaid lease payments		**719,487**	735,033
Investment properties		**60,391**	20,370
Goodwill		**693,000**	693,000
Other intangible assets		**4,414**	4,431
Interest in joint ventures		**43,772**	63,725
Interest in an associate		**16,275**	17,021
Restricted bank deposits		**30,410**	29,758
Deferred tax assets		**57,474**	68,979
Long term prepaid rental		**22,000**	24,283
		11,150,735	11,986,101
CURRENT ASSETS			
Inventories	*10*	**727,506**	767,818
Long term receivables – due within one year		**–**	25,953
Trade and other receivables	*11*	**2,960,006**	2,039,576
Prepaid lease payments		**22,912**	23,279
Loans to related companies		**546,599**	476,683
Amount due from an associate		**6,153**	3,752
Amount due from a joint venture		**49,281**	40,465
Restricted bank deposits		**6,548**	5,108
Bank balances and cash		**940,247**	533,420
		5,259,252	3,916,054
CURRENT LIABILITIES			
Trade and other payables	*12*	**1,011,148**	969,138
Amount due to a joint venture		**24,216**	13,479
Tax payables		**208,474**	48,015
Borrowings – due within one year		**2,991,361**	1,928,934
		4,235,199	2,959,566
NET CURRENT ASSETS		**1,024,053**	956,488
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,174,788**	12,942,589

	NOTES	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES			
Borrowings – due after one year		**1,911,998**	3,262,563
Deferred tax liability		**25,636**	22,327
Provision for environmental restoration		**26,770**	22,551
		1,964,404	3,307,441
NET ASSETS		**10,210,384**	9,635,148
CAPITAL AND RESERVES			
Share capital	*13*	**140,390**	140,390
Reserves		**9,769,542**	9,214,171
Equity attributable to owners of the Company		**9,909,932**	9,354,561
Non-controlling interests		**300,452**	280,587
TOTAL EQUITY		**10,210,384**	9,635,148

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands on 7 April 2004 under the Companies Law (2003 Revision), Chapter 22 of the Cayman Islands. The shares of the Company have been listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 May 2008. The immediate and ultimate holding company is Asia Cement Corporation, a company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is at Portion of Unit B, 11th Floor, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company collectively the "Group") are principally engaged in the manufacture and sale of cement, concrete and related products.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") for the first time in the current year:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014–2016 Cycle

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities. Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Apart from the additional disclosure in notes to consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transaction[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contract[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 40	Transfer of Investment Property[1]
Amendments to IAS 28	As part of Annual Improvements to IFRS Standards 2014–2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

3. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2017	2016
	RMB'000	*RMB'000*
Sales of cement products and related products	**7,478,351**	5,936,860
Sales of concrete	**337,176**	401,292
	7,815,527	6,338,152

4. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Government grant income	**71,927**	50,054
Transportation fee income	**1,532**	4,654
Sales of scrap materials	**11,935**	7,297
Interest income on bank deposits	**8,456**	14,698
Rental income, net of outgoings *(note)*	**7,971**	7,025
Others	**–**	7,253
	101,821	90,981

Note: The direct operating expenses incurred for generating rental income amount to approximately RMB3,210,000 (2016: RMB6,654,000).

5. OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
Exchange loss, net	**(3,023)**	(54,127)
Allowance for doubtful debts, net	**(35,975)**	(14,277)
Loss on disposal/write-off of property, plant and equipment	**(25,408)**	(1,453)
Loss on disposal/write-off of other intangible assets	**(218)**	–
Impairment loss on property, plant and equipment	**–**	(21,605)
Increase (decrease) in fair value of investment properties	**3,330**	(580)
Impairment loss on investment in a joint venture	**(20,031)**	(11,703)
Others	**–**	(869)
	(81,325)	(104,614)

6. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
The tax expense comprises:		
Current tax:		
– PRC enterprise income tax ("EIT")	**321,106**	160,619
Withholding tax paid	**15,245**	12,780
(Over)underprovision in prior years	**(2,538)**	1,256
Deferred tax	**14,814**	4,709
	348,627	179,364

The PRC EIT is calculated at the prevailing tax rate on the taxable income of the group entities in the PRC.

During the current year, the relevant tax rates for the PRC subsidiaries of the Group ranged from 15% to 25% (2016: ranged from 15% to 25%).

Pursuant to "The Notice on Tax Policy Issues In Relation to further Implementation of the western development strategy". (State Administration of Taxation Caishui [2011] no. 58, Sichuan Yadong Cement Co., Ltd. ("Sichuan Yadong"), Sichuan Lanfeng Cement Co., Ltd. ("Sichuan Lanfeng") and Sichuan Ya Li Transportation Co., Ltd. ("Sichuan Yali") were granted a tax concession to pay corporate income tax at a preferential rate of 15% (2016: 15%) in 2017.

Neither provision for Hong Kong Profits Tax nor Singapore income tax has been made in the consolidated statement of profit or loss and other comprehensive income as the Group had no assessable profit arising in these jurisdictions for both years.

The Company is not subject to income tax in Cayman Islands or any other jurisdiction.

7. PROFIT FOR THE YEAR

	2017	2016
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	**818,126**	836,531
– Prepaid lease payments	**22,116**	21,888
– Quarry	**49,425**	16,528
– Other intangible assets	**1,462**	1,406
	891,129	876,353
Auditors' remuneration	**4,445**	4,416
Staff costs, including directors' remuneration		
Salaries and other benefits	**383,132**	349,505
Retirement benefits scheme contributions	**30,736**	30,009
Total staff costs	**413,868**	379,514
Cost of inventories recognised as expenses (including the provision of environmental restoration of RMB4,219,000 (2016: RMB4,337,000))	**5,905,183**	5,088,000
Rental payments under operating leases	**18,673**	39,460

8. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distributions during the year:		
2016 Final, paid – RMB3 cents (2016: 2015 final dividend RMB5 cents) per share	**47,006**	78,343

A final dividend for the year ended 31 December 2017 of RMB15.5 cents per share (2016: RMB3 cents per share) amounting to approximately RMB242,862,000 (2016: RMB47,006,000) has been proposed by the Board of Directors after the end of the reporting period. The proposed final dividend for the current year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**602,377**	133,562
	'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

No diluted earnings per share is presented as the Company did not have any dilutive shares in issue during both years.

10. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Spare parts and ancillary materials	**284,737**	310,174
Raw materials	**280,404**	251,461
Work in progress	**79,034**	120,714
Finished goods	**83,331**	85,469
	727,506	767,818

11. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**1,079,847**	1,230,734
Less: Allowance for doubtful debts	**(162,179)**	(127,283)
	917,668	1,103,451
Bills receivable	**1,671,217**	739,751
	2,588,885	1,843,202
Other receivables	**35,793**	46,967
	2,624,678	1,890,169
Advances to suppliers	**272,279**	102,071
Deposits	**19,859**	21,713
Prepayments	**2,165**	1,687
Value-added tax recoverable	**41,025**	23,936
	2,960,006	2,039,576

The Group has a policy of allowing a credit period of 30 to 180 days for cement customers and 180 to 365 days for concrete customers whereas longer credit terms are allowed to certain selected customers with good credit histories or settled by bills.

The following is an aging analysis of trade receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	Cements		**Concrete**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
0–90 days	**366,490**	370,863	**104,781**	121,055	**471,271**	491,918
91–180 days	**92,224**	73,681	**34,449**	80,346	**126,673**	154,027
181–365 days	**38,234**	92,425	**92,284**	98,053	**130,518**	190,478
Over 365 days	**114,402**	152,069	**74,804**	114,959	**189,206**	267,028
	611,350	689,038	**306,318**	414,413	**917,668**	1,103,451

The following is an aging analysis of bills receivable (trade-related) presented based on the dates of bills issued by the customers at the end of the reporting period:

	Cements		Concrete		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
0–90 days	**1,164,821**	592,256	**10,503**	6,734	**1,175,324**	598,990
91–180 days	**483,597**	106,117	**6,100**	1,900	**489,697**	108,017
181–365 days	**6,196**	32,744	**–**	–	**6,196**	32,744
	1,654,614	731,117	**16,603**	8,634	**1,671,217**	739,751

12. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**381,133**	450,216
Accruals	**107,898**	94,945
Advances from customers	**141,605**	126,320
Staff wages and welfare payable	**62,080**	50,818
Value added tax payable	**132,621**	50,305
Construction cost payable	**26,246**	59,201
Other tax payable	**15,998**	14,498
Consideration payable for acquisition of a subsidiary in 2014	**72,738**	72,738
Other payables	**70,829**	50,097
	1,011,148	969,138

The following is an ageing analysis of trade payables presented based on the invoice dates at the end of the reporting period:

	2017	2016
	RMB'000	*RMB'000*
0–90 days	**349,918**	389,291
91–180 days	**9,768**	27,878
181–365 days	**7,556**	20,268
Over 365 days	**13,891**	12,779
	381,133	450,216

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period for trade purchases is 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

13. SHARE CAPITAL

	Number of shares	Amount *HK$'000*	Shown in the consolidated financial statements as *RMB'000*
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	1,566,851,000	156,685	140,390

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

In 2017, government departments across different regions fully carried out the plan determined by the State Council, by persevering with the key work guidance of making progress while maintaining stability, upholding the new development philosophy, and promoting structural optimization, shift of growth driver and quality improvement, with supply-side structural reform being the main task, thereby continually releasing the energy, power and potential for economic growth. Stability, coordination and sustainability significantly enhanced, achieving a steady and healthy development, with an annual GDP growth of 6.9%. In the past year, the Chinese economy maintained a steady and favorable development trend. The overall situation was better than expected.

The national cement industry began a 3-quarter period of price fluctuations since the start of 2017. Although cement prices in various provinces were subject to different degrees of changes in market demands, the overall trend benefited from the steady progress of supply-side reform. The cement industry continued to eliminate excess capacity; cement output was gradually under control, with declining proportion of inventories and price fluctuations around an upward trend. During the fourth quarter, restricted production due to air pollution prevention and release of demand led to short-term supply and demand imbalance, causing cement price to soar. The national average cement market price rose from RMB327 per tonne in February to RMB409 per tonne in December (excluding Tibet), representing an increase of 25% from the beginning of the year when compared with that at the end of the year. By December, cement prices (P.O42.5 bulk cement) in the mainstream markets of two-thirds of the provinces in China exceeded RMB400 per tonne; the prices in six of the mainstream markets reached over RMB500 per tonne. With continued upsurge in price and small volatility in demand, the industry's profits improved significantly. The profit of the entire industry for the whole year was exceed RMB87 billion, second only to 2011.

In 2017, the national fixed asset investment saw a 7.2% year-on-year increase, representing a 1.7 percentage points drop from that of 2016; property development investment growth rate was 7%, up by 0.1 percentage point from that of 2016. Against the backdrop of a slowdown in the growth of fixed asset investment, cement demand generally remained stable. The driving force of cement demand in 2017 was still insufficient. From a long-term perspective, it was obvious that cement demand had entered the plateau period. The cement output for the full year reached 2.32 billion tonnes, representing a decrease of 0.2% from that of 2016.

2017 marked an important year for the implementation of the Guobanfa [2016] No. 34 document. There were only 9 new cement and clinker production lines inaugurated in the country, with an aggregate additional clinker production capacity of 13.33 million tonnes, representing a decrease of 12.25 million tonnes or 47.9% when compared with 25.58 million tonnes in 2016. That was the fifth consecutive year of decline. Although the growth rate of new capacity had slowed down and the supply-side structural reform had forced a certain amount of capacity to be phased out of the market, the oversupply problem in the industry remained severe, and the utilization rate of clinker capacity was less than 70%. Market scramble and price competition were fierce, and such situation was not optimistic if the cause for the situation was considered.

In 2017, the Group kept up with the times and introduced a number of innovative ideas to meet the challenges brought forth by the new landscape of the industry and information tools. First, through the overall planning of the Group's headquarters, the Company introduced a number of information tools in batches at different times, such as developing mobile APPs suitable for business use and QR code technology for online customers. These technologies not only greatly improved the internal operation efficiency but also further improved customer cohesion with sincere customer services. As such, the soft power of the Company's cement brand in the market was augmented. Second, accounts receivable management in 2017 was constantly strengthened. Following a 7% decrease in the Group's accounts receivable in 2016, the Company still recorded a 17% decrease in accounts receivable in 2017. Not only was the overall amount significantly better than expected, but the structure was also continuously optimized and improved, effectively enhancing the cash flow of the Group. Third, despite the downturn of international cement prices and the unsatisfactory profitability of export, the Company steadily increased regional sales in established markets; as such the Group still held the number 1 and 2 market share rankings in its core markets. Through overall adjustment, the Company conducted marketing activities using the approach of a group as a whole, thus breaking physical boundaries. On top of that, the Group also gathered a large number of data of cross-regional (linking the provinces along the central and downstream regions of the Yangtze River) and cross-sector (extending the industrial chain, from cement to concrete and lumber and other areas) clients for big data analytics and used the detailed analysis of customers' big data to explore market potential. While the share of core markets with higher profitability near the factory area continued to be stable, the peripheral markets also achieved profits. Fourth, the Group had strictly complied with the laws and regulations promulgated by the government departments. All aspects of production, sales and transportation were in compliance with laws and regulations. While maintaining consistent low energy consumption and low emissions, the Group actively cooperated with government departments in assessing and planning the use of cement kilns to treat garbage and waste, thereby fulfilling corporate social responsibility.

Although the cement industry and downstream customers in the cement market were affected by the large-scale suspension of production and restricted production due to environmental protection requirements, the Group's clinker output in 2017 still reached 24.17 million tonnes, similar to that of 2016. The total sales volume of cement and clinker amounted to 29.94 million tonnes, representing a decrease of only 2.0% from that of 2016. Coupled with the steady progress of the supply-side reform since 2017, the prices in all major sales regions had risen, and the overall profitability of the Group had increased significantly from that of 2016.

Table 1: Total sales volume (Unit: '000 tonnes)

Item	**2017**	2016	Change *(%)*
Cement	**28,180**	29,250	(3.7)
Clinker	**1,757**	1,298	35.4
Blast-furnace slag powder	**264**	320	(17.5)
Total	**30,201**	30,868	(2.2)

Table 2: Breakdown of sales volume of cement by region (Unit: '000 tonnes)

Item	**2017**	2016	Change *(%)*
Southeastern region	**10,865**	10,569	2.8
Central region	**6,827**	7,158	(4.6)
Southwestern region	**7,565**	8,595	(12.0)
Eastern region	**2,923**	2,928	(0.2)
Total	**28,180**	29,250	(3.7)

Table 3: Sales volume of high grade and low grade cement (Unit: '000 tonnes)

	2017		2016	
Item	**Sales volume**	**Percentage** *(%)*	Sales volume	Percentage *(%)*
High grade cement	**24,198**	**86**	24,555	84
Low grade cement	**3,982**	**14**	4,695	16
Total	**28,180**	**100**	29,250	100

Table 4: Sales volume of bagged and bulk cement (Unit: '000 tonnes)

	2017		2016	
Item	**Sales volume**	**Percentage** *(%)*	Sales volume	Percentage *(%)*
Bulk cement	**22,404**	**80**	22,333	76
Bagged cement	**5,776**	**20**	6,917	24
Total	**28,180**	**100**	29,250	100

(1) Central and downstream regions of Yangtze River

Approximately 70% of the Group's cement capacity (about 24 million tonnes) was located in the central and downstream regions of Yangtze River. The Group was among this region's largest cement enterprises in terms of production capacity. In Wuhan, Jiujiang and Yangzhou, the Company ranked first in market share, while in Nanchang it ranked second. In 2017, cement demand and supply in central and downstream regions of Yangtze River basically remained balanced. Affected by continual high coal price and rising limestone price as a result of tightened regulation of mining pier, production cost of cement for the first three quarters drove up. Nevertheless, a proper amount of output was reduced by large enterprises through practising off-peak season production, thereby contributing to a weak balance of demand and supply in low season and effectively reducing the magnitude of decline in cement price. Except for the unsatisfactory results from the implementation of self-disciplined restriction on production in Jiangxi during 2017 Chinese New Year which led to a substantial drop in price, other regions maintained an overall stable upward trend. Entering the fourth quarter, off-peak season production and restricted production policies were frequently promulgated among cement enterprises. Owing to the traditional off-peak season production, most of the cement enterprises in northern region had stopped production at the end of November. While in central and downstream regions of Yangtze River, with the arrival of construction peak, cement sales entered the high season and the price had exceeded 2012 record high. Despite off-peak season production, the Group managed to sell a total of 22.07 million tonnes of cement products in the central and downstream regions of Yangtze River in 2017, which was basically the same as that of 2016, by leveraging its long-term dedication to market development for over 10 years and guarantee of high product and service quality, as well as its competitive edge.

(2) Chengdu region

The Group had an aggregate cement capacity of 11 million tonnes in Chengdu region, being the largest cement producer in the region and ranked first in market share. Due to severe overcapacity, there was a large gap between supply and demand. Affected by the central environmental inspections in August and September, many downstream clients had suspended operations. Demand in Chengdu market for the full year of 2017 had dropped by more than 10% when compared with that of 2016, while cement prices hovered at low levels since the first half of the year. In October and November, with the rebound in demand and the effective execution of off-peak season production, prices started to pick up. Facing unfavourable situation, the Group had actively expanded its sales channels and sold a total of 8.13 million tonnes of cement products in the Southwestern region in 2017, representing a decrease of 0.63 million tonnes or 7.2% (better than the decrease of overall market demand) from 2016's 8.76 million tonnes, but a slight increase when compared with that of 2015.

Table 5: The Group's market share by region and city

Item	**2017**	2016
Jiujiang	**39%**	38%
Nanchang	**29%**	26%
Wuhan	**26%**	27%
Chengdu	**31%**	32%
Yangzhou	**26%**	28%

Operating Results

Revenue

The Group's principal business activities are manufacture and sale of cement, concrete and related products. As shown in the table below, for 2017, the Group's revenue amounted to RMB7,815.5 million, representing an increase of RMB1,477.3 million or 23% from RMB6,338.2 million in 2016. The increase in revenue was mainly attributable to the increase in the average selling price of the Group's products during 2017.

	2017		2016	
Region	***RMB'000***	*%*	*RMB'000*	*%*
Southeastern region	**3,072,869**	**39**	2,359,717	37
Central region	**1,898,329**	**25**	1,603,377	25
Southwestern region	**1,963,891**	**25**	1,718,501	27
Eastern region	**880,438**	**11**	656,557	11
Total	**7,815,527**	**100**	6,338,152	100

In respect of revenue contribution for 2017, sales of cement accounted for 88% (2016: 89%) and sales of concrete accounted for 4% (2016: 6%). The table below is a sales analysis by product for the reporting period:

	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Cement	**6,911,717**	**88**	5,650,370	89
Clinker	**385,815**	**5**	198,785	3
RMC	**337,176**	**4**	401,292	6
Blast-furnace slag powder	**51,835**	**1**	44,330	1
Others	**128,984**	**2**	43,375	1
Total	**7,815,527**	**100**	6,338,152	100

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 costs), employee compensation and benefits, depreciation and amortisation and other overhead costs. In 2017, the Group's cost of sales increased by approximately 16% to RMB5,905.2 million from RMB5,088.0 million in 2016 due to the increase in the rising cost of coal used for manufacturing cement products.

The gross profit for 2017 was RMB1,910.3 million (2016: RMB1,250.2 million), with a gross profit margin of 24% (2016: 20%). The increase in gross profit was mainly attributable to the increase in the average selling price of the Group's products compared with that of the previous year.

Other Income

Other income mainly comprises government grants, transportation fee income, interest income and sales of scrap materials. For 2017, other income amounted to RMB101.8 million, representing an increase of RMB10.8 million from RMB91.0 million in 2016. The increase in other income was attributable to the increase in government grant.

Other Gains and Losses

Other gains and losses mainly comprise net foreign exchange loss, allowance for doubtful debts, loss from changes in fair value of investment properties and loss on disposal/write-off of property, plant and equipment. For 2017, other losses amounted to RMB81.3 million, representing a decrease of RMB23.3 million from other losses of RMB104.6 million in 2016. The decrease in losses was principally attributable to the decrease in foreign exchange loss from US dollar-denominated bank borrowings and more allowance for doubtful debts.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2017, the distribution and selling expenses decreased by approximately 8%, from RMB431.6 million in 2016 to RMB398.1 million in 2017. Such decrease was mainly attributable to a decrease in transportation and packaging costs of cement products during 2017.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses, increased by approximately 8%, from RMB254.8 million in 2016 to RMB275.9 million in 2017. The increase was attributable to the Group's remuneration adjustment, which led to higher remuneration cost during 2017.

The 24% increase in finance costs was mainly due to reduce the foreign exchange risk, all of the bank borrowings during 2017 was denominated in RMB with higher interest rate.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2017 increased by RMB654.5 million, constituting a profit of RMB984.8 million (2016: profit of RMB330.3 million).

Income Tax Expenses

In 2017, income tax expenses increased by RMB169.2 million or approximately 94% to RMB348.6 million, from RMB179.4 million in 2016.

Non-controlling Interests

In 2017, non-controlling interests amounted to RMB33.8 million, representing an increase of RMB16.4 million or approximately 94% compared with RMB17.4 million in 2016, primarily due to an increase in profit contribution from Jiangxi Yadong.

Profit for the Year

For 2017, the net profit of the Group amounted to RMB636.2 million, representing an increase of RMB485.2 million from the profit of RMB151.0 million in 2016.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2017. Total assets increased by approximately 3% to RMB16,410.0 million (31 December 2016: approximately RMB15,902.2 million), while total equity increased by approximately 6% to RMB10,210.4 million (31 December 2016: approximately RMB9,635.1 million).

Restricted Bank Deposits, Bank Balances and Cash

As at 31 December 2017, the Group's restricted bank deposits, bank balances and cash amounted to approximately RMB977.2 million (31 December 2016: RMB568.3 million), of which approximately 98% was denominated in RMB and approximately 2% in US dollars, with the remainder denominated in Hong Kong dollars and Singapore dollars.

Cash Flow

The Group derived its net cash inflow from operations primarily through the receipt of payments for the sale of its cement and concrete products. The Group's cash outflow from operations was used primarily for raw material purchases, payment for fuel and power, distribution costs, staff salaries and interest payments. Cash generated from operating activities decreased from RMB1,665.7 million in 2016 to RMB1,170.3 million in 2017.

The Group's cash inflow from investment activities primarily consisted of interest income and proceeds from disposal of property, plant and equipment. The Group's cash outflow from investment activities primarily consisted of purchases of property, plant and equipment, land use rights and quarry, and purchase of investment held to maturity. In 2017, the net cash used in investment activities of the Group amounted to RMB139.1 million, representing a decrease from RMB173.1 million in 2016.

In 2017, the net cash used in financing activities of the Group amounted to RMB624.5 million. This was primarily due to repayment of borrowings in 2017.

Capital Expenditure

Capital expenditure for the year ended 31 December 2017 amounted to approximately RMB104.9 million, and capital commitments as at 31 December 2017 amounted to approximately RMB510.1 million. Both capital expenditure and capital commitments were mainly related to the purchases of plant and equipment for new production lines. The Group anticipates that such commitments will be funded by future operating revenue, bank borrowings and other sources of finance as appropriate.

Borrowings

The Group's borrowings as at 31 December 2017 and 2016 are summarized below:

	As at 31 December			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Short-term borrowings	**2,991,361**	**61**	1,928,934	37
Long-term borrowings	**1,911,998**	**39**	3,262,563	63
Currency denomination				
– RMB	**4,903,359**	**100**	5,191,497	100
– US dollars	**–**	**–**	–	–
Borrowings				
– secured	**–**	**–**	–	–
– unsecured	**4,903,359**	**100**	5,191,497	100
Interest rate structure				
– fixed-rate borrowings	**–**	**–**	–	–
– variable-rate borrowings	**4,903,359**	**100**	5,191,497	100
Interest rate				
– fixed-rate borrowings		**N/A**		N/A
– variable-rate borrowings		**90% to 100% of Benchmark Rate or HIBOR plus margin of 0.80% to 1.10%**		90% to 100% of Benchmark Rate or HIBOR plus margin of 0.80% to 1.25%

As at 31 December 2017, the Group had unutilized credit facilities in the amount of RMB4,742.0 million.

As at 31 December 2017, the Group's gearing ratio was approximately 38% (31 December 2016: 39%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2017 and 2016, respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as at 31 December 2017.

Contingent Liabilities

As at the date of this report and as at 31 December 2017, the Board is not aware of any material contingent liabilities.

Human Resources

As at 31 December 2017, the Group had 3,929 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing provident fund scheme according to the applicable PRC laws and regulations for its employees in the PRC, and made contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerated its employees based on their work performance and experience. Remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Share Option Scheme, under which eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company according to their past and potential contribution to the growth of the Group. As at 31 December 2017, no share options were granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

Save as disclosed in this report, the Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2017.

Foreign Exchange Risk Management

The Group's sales and purchases during the reporting period were mostly denominated in RMB.

RMB is not a freely convertible currency. Future exchange rates of RMB may vary significantly from the current or historical exchange rates as a result of controls imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally as well as the demand and supply of RMB. The appreciation or devaluation of 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 Group's management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

2. BUSINESS PROSPECTS

The Central Economic Work Conference convened in December 2017 had explicitly stated that 2018 was a crucial year for carrying out the "13th Five-Year Plan". It is also a year for economic work to adhere to the key guidance of making progress while maintaining stability by insisting the supply-side structural reform being the main task, innovating and fine-tuning macro austerity measures, pushing ahead with quality reform, efficiency reform, growth driver reform, as well as guiding and stabilising expectations. The cement industry will accelerate the implementation of excess capacity elimination policy and explore green production, leading to continued improvement in industry's supply side. According to Digital Cement's forecast, cement market demand in 2018 will basically be the same or a bit lower than that of 2017, while cement prices will be stabilised and move within a reasonable range. It is expected that the industry profits will remain stable.

In view of the abovementioned favourable factors, the Group has expectations for 2018. First, given the domestic and international economic environment in 2017, national economic performance was better than expected. Based on a preliminary estimate, the GDP growth rate for 2017 would be 6.9% year-on-year. It is expected that the GDP growth rate for 2018 will not be lower than this rate. The economy will continue to maintain a steady growth. Infrastructure investment remains the key contributor to a steady economic growth, as well as a strong support for cement demand; in particular, infrastructure investment will perform better in areas relating to people's livelihood such as PPP projects, targeted poverty alleviation and shantytown redevelopment. In 2018, infrastructure investment will remain stable. It is expected that growth in fixed asset investment in 2018 will be approximately 7.2%, which is the same as that of 2017. Second, off-peak season production will increase under tightened air pollution preventative measures. During the two years of 2016 and 2017, four batches of central environmental inspectors had been dispatched, covering 31 provinces in China. In November, the Ministry of Industry and Information Technology and Ministry of Environmental Protection issued a notice, proposing the implementation of off-peak season production during warm seasons in the cement industry in accordance with the relevant requirements. The State will pay more attention to the quality of environment in 2018 and step up efforts to tackle air pollution problem; this coupled with the requirements to solve the problem of overcapacity in the industry will lead to a greater magnitude of off-peak season production in the cement industry across the country when compared to previous years. Driven by factors such as policies, the market will show a significant contraction in cement supply. Third, pollution discharge fee is replaced by an environmental protection tax. Differential tax rates will force obsolete capacity to phase out and/or upgrade. Since 1 January 2018, China starts to impose environmental protection tax across the country, replacing the pollution discharge fee. Taxation will be calculated basing on the amount of taxable pollutants discharged. Calculating tax payable based on the amount of pollutant emission will help raise environmental awareness of enterprises discharging pollutants, making them adopt anti-pollution measures and reduce emission, while the market competitiveness of producers with high energy consumption and high emission will decrease. Those enterprises with low energy consumption and emission, as represented by the Group, will enjoy the advantage of this tax to maintain low costs, further raising their market competitiveness. Fourth, the announcement of timetable for the plan for eliminating excess capacity coupled with various measures. According to the Action Plan for Eliminating Excess Capacity in the Cement Industry (2018-2020) published by China Cement Association, elimination of 135.80 million tonnes of clinker capacity will be completed in the entire country and 210 cement grinding mills will be closed in 2018. It strives to completely stop the production of 32.5 grade cement in the first half of 2018. A timetable with details on the implementation of reduction and elimination of excess capacity in the cement industry was explicitly put forth. The elimination of excess cement capacity will be carried out along with other measures including restriction on new supply of capacity, phase-out of obsolete capacity, clampdown on illegal production capacity and cessation of production of 32.5 grade cement. All this will greatly facilitate healthy development of the Group and the industry as a whole. In view of a number of favourable factors in the industry, the Group will seize the opportunities and ride the trend, with an aim to achieve record high revenue and become profitable. 2018 is a year worth looking forward to.

The market trend and forecast for the various quarters estimated by the Group are as follows: price will slightly decrease in the first quarter due to Spring Festival, rain and snow, etc; both quantity and price will rise in the second quarter as a result of warmer weather and increase in construction work; the third quarter marks high temperature and busy season for farmers; but off-peak season production in the industry will help stabilise the price; the fourth quarter is also the traditional peak season: demand will increase significantly, and quantity and price in the industry will both surge.

All in all, the Group will continue to uphold its corporate culture of “Integrity, Diligence, Austerity, Prudence and Innovation”. The Group will fully utilise advanced information technology to upgrade the traditional cement industry, simplify work flow, increase production and sales efficiency, as well as lower the overall operating costs. Furthermore, the Group will tighten energy saving and emission reduction management. With respect to urban waste treatment and sludge treatment, the Group will follow government policies and actively fulfil its corporate social responsibility by establishing a green factory. Meanwhile, the Group adopts lean human resources strategies, strengthening staff training and introducing visionary and advanced management method, to create a new form of enterprise. Through constant improvement, enhancement, lean management and innovation, the Group will not only be able to lift its overall profitability to a new level, but will also develop Asia Cement (China) into an international company with depth, rich in culture and committed to social responsibility.

OTHER INFORMATION

Final Dividend

In acknowledging the continuous support from the Group's shareholders, the Board recommends the payment of a final dividend of RMB15.5 cents per ordinary share in respect of the year ended 31 December 2017, subject to approval by shareholders at the forthcoming annual general meeting of the Company. The dividend will be payable on 29 May 2018 to shareholders whose names appear on the Register of Member of the Company on 17 May 2018.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 30 April 2018 to Tuesday, 8 May 2018, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 27 April 2018.

Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after close of business at 4:30 p.m. on Thursday, 17 May 2018 being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 17 May 2018.

Corporate Governance

The Company has complied with all of the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2017, 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. TSIM Tak-lung Dominic, an independent non-executive Director was unable to attend the annual general meeting of the Company held on 26 May 2017 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 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 and the majority of whom are independent non-executive Directors.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also reviewed auditing, risk management and internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2017, together with the management.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. The Company, having made specific enquiry with all Directors, confirms that its Directors had complied with the required standards set out in the Model Code throughout the year ended 31 December 2017.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.com.hk) and the Company (www.achc.com.cn). The annual report for the financial year ended 31 December 2017 of the Company will be dispatched to the Company's shareholders and published on the aforesaid websites 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 reporting period.

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

Hong Kong, 22 March 2018

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.