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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 45% to RMB11,330.3 million (2017: approximately RMB7,815.5 million).
- Profit attributable to owners of the Company was RMB2,420.8 million (2017: Profit attributable to owners of the Company approximately RMB602.4 million).
- Basic earnings per share amounted to RMB1.545 (2017: Basic earnings per share RMB0.384).
- The Board proposed a final dividend of RMB62 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 2018, together with the comparative figures for 2017 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2018

	NOTES	**2018** *RMB'000*	2017 *RMB'000*
Revenue	*3*	**11,330,347**	7,815,527
Cost of sales		**(6,943,932)**	(5,905,183)
Gross profit		**4,386,415**	1,910,344
Other income	*4*	**170,675**	101,821
Other gains and losses	*5*	**(10,028)**	(45,350)
Impairment loss recognised on goodwill		**(138,759)**	–
Allowance for credit losses, net		**(26,243)**	(35,975)
Distribution and selling expenses		**(445,879)**	(398,141)
Administrative expenses		**(316,471)**	(275,869)
Finance costs		**(244,450)**	(275,388)
Share of profits of joint ventures		**6,800**	3,334
Share of profit of an associate		**1,090**	54
Profit before tax		**3,383,150**	984,830
Income tax expense	*6*	**(882,360)**	(348,627)
Profit and total comprehensive income for the year	*7*	**2,500,790**	636,203
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**2,420,839**	602,377
Non-controlling interests		**79,951**	33,826
		2,500,790	636,203
		RMB	*RMB*
Earnings per share	*9*		
Basic		**1.545**	0.384

Consolidated Statement of Financial Position
At 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**8,598,033**	9,301,776
Quarry		**163,974**	201,736
Prepaid lease payments		**701,095**	719,487
Investment properties		**89,730**	60,391
Goodwill		**554,241**	693,000
Other intangible assets		**3,991**	4,414
Interest in joint ventures		**49,045**	43,772
Interest in an associate		**16,565**	16,275
Restricted bank deposits		**1,421**	30,410
Deferred tax assets		**72,615**	57,474
Long term prepaid rental		**20,000**	22,000
		10,270,710	11,150,735
CURRENT ASSETS			
Inventories	*10*	**726,239**	727,506
Trade and other receivables	*11*	**4,104,907**	2,960,006
Prepaid lease payments		**22,952**	22,912
Loans to related companies		**546,599**	546,599
Amount due from an associate		**11,257**	6,153
Amount due from a joint venture		**24,535**	49,281
Restricted bank deposits		**6,456**	6,548
Bank balances and cash		**5,008,691**	940,247
		10,451,636	5,259,252
CURRENT LIABILITIES			
Trade and other payables	*12*	**988,260**	1,011,148
Contract liabilities		**136,355**	–
Amounts due to joint ventures		**15,350**	24,216
Tax payables		**439,830**	208,474
Borrowings – due within one year		**2,475,485**	2,991,361
		4,055,280	4,235,199
NET CURRENT ASSETS		**6,396,356**	1,024,053
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,667,066**	12,174,788

	NOTES	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Borrowings – due after one year		**4,154,659**	1,911,998
Deferred tax liability		**38,783**	25,636
Provision for environmental restoration		**31,278**	26,770
		4,224,720	1,964,404
NET ASSETS		**12,442,346**	10,210,384
CAPITAL AND RESERVES			
Share capital	*13*	**140,390**	140,390
Reserves		**11,947,519**	9,769,542
Equity attributable to owners of the Company		**12,087,909**	9,909,932
Non-controlling interests		**354,437**	300,452
TOTAL EQUITY		**12,442,346**	10,210,384

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and 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:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

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 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the application of new requirements under IFRS 16 Leases which may result in changes in measurement, presentation and disclosure, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers

	RMB'000
Type of goods – at a point in time	
Sales of cement products and related products	**10,737,644**
Sales of concrete	**592,703**
	11,330,347

For the year ended 31 December 2017

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

	RMB'000
Sales of cement products and related products	7,478,351
Sales of concrete	337,176
	7,815,527

4. OTHER INCOME

	2018 *RMB'000*	2017 *RMB'000*
Government grant income	**94,617**	71,927
Interest income on bank deposits	**37,905**	8,456
Sales of scrap materials	**22,431**	11,935
Transportation fee income	**7,652**	1,532
Rental income, net of outgoings *(note)*	**6,476**	7,971
Interest income on advance to a joint venture	**1,594**	–
	170,675	101,821

Note: The direct operating expenses incurred for generating rental income amount to approximately RMB4,230,000 (2017: RMB3,210,000).

5. OTHER GAINS AND LOSSES

	2018 *RMB'000*	2017 *RMB'000*
Exchange gain (loss), net	**761**	(3,023)
Loss on disposal/write-off of property, plant and equipment	**(9,761)**	(25,408)
Loss on disposal/write-off of other intangible assets	**–**	(218)
Gain on disposal of a subsidiary	**9,051**	–
Impairment loss on property, plant and equipment	**(11,417)**	–
Impairment loss on investment in a joint venture	**–**	(20,031)
Increase in fair value of investment properties	**1,338**	3,330
	(10,028)	(45,350)

6. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Current tax:		
– PRC enterprise income tax ("EIT")	**851,429**	321,106
Withholding tax paid	**31,522**	15,245
Under(over)provision in prior years in respect of PRC EIT	**1,403**	(2,538)
Deferred tax	**(1,994)**	14,814
	882,360	348,627

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% (2017: 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 Lanfeng Cement Co., Ltd. and Sichuan Ya Li Transportation Co., Ltd. were granted a tax concession to pay corporate income tax at a preferential rate of 15% (2017: 15%) in 2018.

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 the Cayman Islands or any other jurisdiction.

7. PROFIT FOR THE YEAR

	2018	2017
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	**807,447**	818,126
– Prepaid lease payments	**24,722**	22,116
– Quarry	**37,762**	49,425
– Other intangible assets	**1,488**	1,462
Total depreciation and amortisation	**871,419**	891,129
Less: Capitalised in inventories	**(822,755)**	(843,904)
	48,664	47,225
Staff costs, including directors' remuneration		
Salaries and other benefits	**437,613**	383,132
Retirement benefits scheme contributions	**29,930**	30,736
Total staff costs	**467,543**	413,868
Less: Capitalise in inventories	**(344,260)**	(304,945)
	123,283	108,923
Auditors' remuneration	**4,844**	4,445
Cost of inventories recognised as expenses (including the provision of environmental restoration of RMB4,508,000 (2017: RMB4,219,000))	**6,943,932**	5,905,183
Rental payments under operating leases	**40,448**	18,673

8. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distributions during the year:		
2017 Final, paid – RMB15.5 cents (2017: 2016 final dividend RMB3 cents) per share	**242,862**	47,006

A final dividend for the year ended 31 December 2018 of RMB62 cents per share (2017: RMB15.5 cents per share) amounting to approximately RMB971,448,000 (2017: RMB242,862,000) has been proposed by the Board of Directors of the Company 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 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:

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**2,420,839**	602,377
	'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

	2018	2017
	RMB'000	*RMB'000*
Spare parts and ancillary materials	**295,296**	284,737
Raw materials	**222,854**	280,404
Work in progress	**102,930**	79,034
Finished goods	**105,159**	83,331
	726,239	727,506

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**1,273,519**	1,079,847
Less: Allowance for credit losses	**(188,417)**	(162,179)
	1,085,102	917,668
Bills receivable	**2,638,644**	1,671,217
	3,723,746	2,588,885
Other receivables	**65,460**	35,793
	3,789,206	2,624,678
Advances to suppliers	**260,330**	272,279
Deposits	**18,236**	19,859
Prepayments	**2,748**	2,165
Value-added tax recoverable	**34,387**	41,025
	4,104,907	2,960,006

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 credit losses presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	Cements		**Concrete**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
0–90 days	**413,459**	366,490	**180,346**	104,781	**593,805**	471,271
91–180 days	**135,626**	92,224	**107,908**	34,449	**243,534**	126,673
181–365 days	**4,256**	38,234	**84,724**	92,284	**88,980**	130,518
Over 365 days	**89,209**	114,402	**69,574**	74,804	**158,783**	189,206
	642,550	611,350	**442,552**	306,318	**1,085,102**	917,668

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	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
0–90 days	**1,688,341**	1,164,821	**4,793**	10,503	**1,693,134**	1,175,324
91–180 days	**936,428**	483,597	**3,332**	6,100	**939,760**	489,697
181–365 days	**5,750**	6,196	**–**	–	**5,750**	6,196
	2,630,519	1,654,614	**8,125**	16,603	**2,638,644**	1,671,217

12. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**392,771**	381,133
Accruals	**147,326**	107,898
Advances from customers	**–**	141,605
Staff wages and welfare payable	**81,121**	62,080
Value added tax payable	**157,644**	132,621
Construction cost payable	**16,026**	26,246
Other taxes payable	**19,056**	15,998
Consideration payable for acquisition of a subsidiary in 2014	**72,738**	72,738
Other payables	**101,578**	70,829
	988,260	1,011,148

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

	2018	2017
	RMB'000	*RMB'000*
0–90 days	**361,572**	349,918
91–180 days	**11,431**	9,768
181–365 days	**3,909**	7,556
Over 365 days	**15,859**	13,891
	392,771	381,133

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	Shown in the consolidated financial statements as
		HK$'000	*RMB'000*
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	1,566,851,000	156,685	140,390

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

The country's deleveraging, PPP rectification and inspection of hidden debt of local governments and other policies carried out in early 2018 had significant impact on infrastructure construction, and the growth rate of investment continued to decline. Despite the aforesaid, the national economy in general continued to grow within a reasonable range. The GDP growth for the year was 6.6%, achieving the expected development target of around 6.5%.

Benefitting from the nation's supply-side structural reform and tightened pollution control, coupled with the results from energy saving and emission reduction efforts and off-peak season production, the cement production capacity was constrained. During 2018, the prices in the cement industry continued to hover at high levels. Prices remained at high levels, mostly between RMB400-430 per tonne, for the first three quarters, and began to soar significantly in the fourth quarter. In December, the national average price reached RMB464 per tonne. In 2018, the national PO42.5 cement price was RMB427 per tonne, representing an increase of RMB77 per tonne or 22% from that of 2017. The profit of the industry beat the record of 2011, reaching a new high of RMB154.6 billion.

In 2018, the national fixed asset investment saw a 5.9% year-on-year increase, representing a 1.3 percentage points drop from that of 2017; while the property development investment growth rate was 9.5%, up by 2.5 percentage points from that of 2017. Despite a slowdown in the growth of fixed asset investment, the accelerated growth rate of property development investment and the rural demand driven by poverty alleviation had helped to sustain the overall stability of cement demand. The national cement output in 2018 reached 2.21 billion tonnes.

2018 was a year for the Group to actively push ahead with transformation, reorganising and refining. The Group promoted a number of innovative projects, improved accounts receivables, strengthened management restructuring and talent training, fully utilised information tools, enhanced environment protection, thereby increased the Group's overall competitiveness.

(1) Stepping up the efforts of collection of accounts receivables and recovery of overdue receivables, controlling the amount of accounts receivable and optimising the structure of accounts receivable. When compared with 2017, the Group's cement segment's operating revenue increased by RMB3,259 million in 2018, accounts receivable increased by RMB31 million. Operating revenue for ready-mix concrete segment increased by RMB256 million, accounts receivable increased by RMB136 million.

(2) Following the planning of the Group's headquarters, the Group further promoted the integration of information tools with production and sales. With respect to production, the Group realised the standardisation of production management and quality control; hence the production efficiency and quality stability had been improved. On the aspect of sales, in addition to allowing customers to make pick-up request by scanning QR code since 2017, the Group conducted tests on customer APP in 2018, which would further improve delivery efficiency and shorten waiting time.

(3) The Group considers talents as important assets and therefore strengthens human resources training and optimisation. The Group has adopted job rotation scheme for sales staff, second-generation high calibre employees training, mid-level supervisors MTP training, to accelerate the cultivation process of the Company's mid-level management. The Group has been more rational in building the talent pool for succession planning and has possessed abundant expert resources, which lay a talent-oriented foundation for the Company's future development.

(4) With respect to environmental protection, in addition to its efforts in low energy consumption and low emission, the Group modified and introduced a number of new technologies in desulfurisation, denitration and dust collection etc., thus realised ultra-low energy consumption and ultra-low emission. Meanwhile, the Group actively cooperated with government departments in environmental assessment and planning, and initiated investment in treating industrial waste and the use of cement kilns to treat waste, thereby fulfilled corporate social responsibility.

The Group achieved a steady growth in production and sales of cement products in 2018. On the front of production, the Group's clinker output reached 24.8 million tonnes, up by 2.6% from that of 2017; for sales, the Group's total sales volume of cement products amounted to 30.95 million tonnes, representing an increase of 2.5% from that of 2017. Benefitting from the supply-side reform in full swing and the deepening of environmental control, the prices in all the Group's major sales regions had risen, and the Group's overall profitability in 2018 had increased significantly from that of 2017.

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

	2018	2017	Change *(%)*
Cement	**29,039**	28,180	3.0
Clinker	**1,537**	1,757	(12.5)
Blast-furnace slag powder	**376**	264	42.4
	30,952	30,201	2.5

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

	2018	2017	Change *(%)*
Southeastern region	**13,519**	13,788	(2.0)
Central region	**6,512**	6,827	(4.6)
Southwestern region	**9,008**	7,565	19.1
	29,039	28,180	3.0

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

	2018		2017	
	Sales volume	**Percentage** *(%)*	Sales volume	Percentage *(%)*
High grade cement	**25,681**	**88**	24,198	86
Low grade cement	**3,358**	**12**	3,982	14
	29,039	**100**	28,180	100

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

	2018		2017	
	Sales volume	**Percentage** *(%)*	Sales volume	Percentage *(%)*
Bulk cement	**24,323**	**84**	22,404	80
Bagged cement	**4,716**	**16**	5,776	20
	29,039	**100**	28,180	100

Table 5: The Group's market share

	2018	2017
Jiujiang	**37%**	39%
Nanchang	**28%**	29%
Wuhan	**24%**	26%
Chengdu	**41%**	31%
Yangzhou	**24%**	26%

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 2018, the Group's revenue amounted to RMB11,330.3 million, representing an increase of RMB3,514.8 million or 45% from RMB7,815.5 million in 2017. The increase in revenue was mainly attributable to the increase in the average selling price of the Group's products during 2018.

	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Southeastern region	**5,537,596**	**49**	3,953,307	51
Central region	**2,466,454**	**22**	1,898,329	24
Southwestern region	**3,326,297**	**29**	1,963,891	25
	11,330,347	**100**	7,815,527	100

In respect of revenue contribution for 2018, sales of cement accounted for 88% (2017: 88%) and sales of concrete accounted for 5% (2017: 4%). The table below is a sales analysis by product for the reporting period:

	2018		2017	
	RMB'000	%	*RMB'000*	%
Cement	**9,926,311**	**88**	6,911,717	88
Clinker	**501,518**	**4**	385,815	5
RMC	**592,703**	**5**	337,176	4
Blast-furnace slag powder	**110,022**	**1**	51,835	1
Others	**199,793**	**2**	128,984	2
	11,330,347	**100**	7,815,527	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 2018, the Group's cost of sales increased by approximately 18% to RMB6,943.9 million from RMB5,905.2 million in 2017 due to the increase in the rising cost of raw materials and coal used for manufacturing cement products.

The gross profit for 2018 was RMB4,386.4 million (2017: RMB1,910.3 million), with a gross profit margin of 39% (2017: 24%). 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 2018, other income amounted to RMB170.7 million, representing an increase of RMB68.9 million from RMB101.8 million in 2017. The increase in other income was attributable to the increase in government grant and interest income.

Other Gains and Losses

Other gains and losses mainly comprise net foreign exchange gain or loss, impairment loss on investment in a joint venture, impairment loss on property, plant and equipment and loss on disposal/write-off of property, plant and equipment. For 2018, other losses amounted to RMB10.0 million, representing a decrease of RMB35.3 million from other losses of RMB45.3 million in 2017. The decrease in other losses was principally attributable to the decrease in impairment loss on investment in a joint venture.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2018, the distribution and selling expenses increased by approximately 12%, from RMB398.1 million in 2017 to RMB445.9 million in 2018. Such increase was mainly attributable to an increase in transportation and commission of cement products during 2018.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses, increased by approximately 15%, from RMB275.9 million in 2017 to RMB316.5 million in 2018. The increase was attributable to an increase in other general expenses, which led to other general expenses during 2018.

The 11% decrease in finance costs was mainly due to lower bank borrowing rate.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2018 increased by RMB2,398.4 million, constituting a profit of RMB3,383.2 million (2017: profit of RMB984.8 million).

Income Tax Expense

In 2018, income tax expense increased by RMB533.8 million or approximately 153% to RMB882.4 million, from RMB348.6 million in 2017.

Non-controlling Interests

In 2018, non-controlling interests amounted to RMB80.0 million, representing an increase of RMB46.2 million or approximately 137% compared with RMB33.8 million in 2017, primarily due to an increase in profit contribution from Jiangxi Yadong.

Profit for the Year

For 2018, the net profit of the Group amounted to RMB2,500.8 million, representing an increase of RMB1,864.6 million from the profit of RMB636.2 million in 2017.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2018. Total assets increased by approximately 26% to RMB20,722.3 million (31 December 2017: approximately RMB16,410.0 million), while total equity increased by approximately 22% to RMB12,442.3 million (31 December 2017: approximately RMB10,210.4 million).

Restricted Bank Deposits, Bank Balances and Cash

As at 31 December 2018, the Group's restricted bank deposits, bank balances and cash amounted to approximately RMB5,016.6 million (31 December 2017: RMB977.2 million), of which approximately 40% was denominated in RMB and approximately 60% 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 increased from RMB1,168.9 million in 2017 to RMB2,907.9 million in 2018.

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 2018, the net cash used in investment activities of the Group amounted to RMB71.2 million, representing a decrease from RMB137.6 million in 2017.

In 2018, the net cash from financing activities of the Group amounted to RMB1,231.8 million. This was primarily due to raising of bank borrowings in 2018.

Capital Expenditure

Capital expenditure for the year ended 31 December 2018 amounted to approximately RMB145.0 million, and capital commitments as at 31 December 2018 amounted to approximately RMB517.6 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 2018 and 2017 are summarized below:

	As at 31 December			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Short-term borrowings	**2,475,485**	**37**	2,991,361	61
Long-term borrowings	**4,154,659**	**63**	1,911,998	39
Currency denomination				
– RMB	**3,606,904**	**54**	4,903,359	100
– US dollars	**3,023,240**	**46**	–	–
Borrowings				
– unsecured	**6,630,144**	**100**	4,903,359	100
Interest rate				
– fixed-rate RMB borrowings	**129,550**	**3.92% to 4.35%**	–	N/A
– variable-rate RMB borrowings	**3,477,354**	**90% to 100% of Benchmark Rate or HIBOR plus margin of 0.70% to 1.10%**	4,903,359	90% to 100% of Benchmark Rate or HIBOR plus margin of 0.80% to 1.10%
– variable-rate USD borrowings	**3,023,240**	**LIBOR plus margin of 0.70% to 1.35%**	–	N/A
	6,630,144		4,903,359	

As at 31 December 2018, the Group had unutilized credit facilities in the amount of RMB4,293.0 million.

As at 31 December 2018, the Group's gearing ratio was approximately 40% (31 December 2017: 38%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2018 and 2017, respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as at 31 December 2018.

Contingent Liabilities

As at the date of this report and as at 31 December 2018, the Board is not aware of any material contingent liabilities.

Human Resources

As at 31 December 2018, the Group had 3,887 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 2018, 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 2018.

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

In 2019, the objective of the country's economic task is "stabilisation of six areas", namely, stabilising employment, finance, foreign trade, foreign investment, investment and expectations. The State adheres to the key work guidance of making progress while maintaining stability, ensuring economic growth within a reasonable range. There is still a relatively strong support for industry demand, and the probability of a sharp decline is slim. The current major issues regarding the supply side are as follows:

(1) The off-peak season production is facing new challenges, and the pressure on cement supply is increasing in some areas. There will still be 25 million tonnes of capacity inaugurated in 2019, mainly located in Guangdong, Guangxi and the southwestern region. There have been new changes in production restrictions for environmental protection, reflecting mainly in the following: environmental protection enforcement activity shall not be carried out across the board, and cement companies meeting environmental standards such as ultra-low emissions can conduct differential off-peak season production. Differential off-peak season production thus helps encourage companies to raise environmental standards and mitigate the impact on economic activities due to suspended production; however, such will also increase unfair market competition and the difficulty for the industry to exercise self-discipline.

(2) The impact of imported clinker on the market cannot be ignored. In 2018, China imported approximately 10 million tonnes of clinker. In order to resist imported clinker, on entering the off-season, there was a one-off reduction of RMB160 per tonne in the price of cement and clinker in the Yangtze River Delta in early 2019. In view of the market trend, imported clinker will still have an impact on the market in 2019, and imported clinker will not only come from Vietnam; other countries in Southeast Asia including Indonesia with overcapacity problem may also enter the cement markets along the coast of China and the Yangtze River, and will thus affect the market to certain extent.

Although uncertainties exist in both demand and supply sides, many favourable factors are also worth paying attention. The Group believes that there are opportunities as well as challenges in 2019, and therefore it remains cautiously optimistic.

(1) Facing the challenge of a complex and severe global economic situation, the domestic economy is under greater downward pressure. Despite the aforesaid, China's economy has built up sufficient resilience and enjoys huge potential for development on the back of an enormous domestic market; the long-term economic outlook will remain positive. GDP growth rate in 2019 is expected to maintain at 6.0-6.5%. Against the backdrop of an expected stable economic growth, the probability of a sharp decline in cement demand in 2019 is small, but there will be adjustment in demand during a plateau phase.

(2) To ease the economic downward pressure, countercyclical investments, especially infrastructure investment, will rebound significantly. The existing infrastructure growth rate is still at its lowest level in history. With policies driving steady growth of infrastructure construction, the growth rate of infrastructure investment in 2019 is expected to gradually stabilise and pick up, and will continue to provide strong support for robust demand of cement.

(3) With the successive promulgation of a series of national policies in 2019, while strictly controlling new production capacity, industry leaders will capitalise on the plateau phase of demand to accelerate the pace of mergers and acquisitions. It is expected that the cement industry concentration will further increase. In 2018, a platform company – Haizhong Trading Co. Ltd. (海中貿易有限公司) – explored new ideas using scientific approach to regulate the production and supply of cement products, with the aim to stabilise market dynamics and market supply and demand. In 2019, major regional companies and the Group's subsidiaries will continue to maintain and strengthen their synergetic relationships. As such, a positive development of the cement industry is expected to continue.

(4) According to the new national standard, which will become effective from 1 October 2019, the 32.5-grade portland composite cement (PC32.5R) will be abolished. Since PC32.5R is a representative of low-grade cement variety, its abolition will drive the consumption of clinker required for cement production, while increasing the production cost of the grinding mills, prompting the closure or transformation of some grinding mills. With over 80% of its product mix comprising high-grade cement products, the Group will benefit from the abolition of 32.5-grade cement.

3. THE GROUP'S OUTLOOK

The Group expects that the national cement demand will still be in the plateau phase in 2019, but the government's effort in supply-side reform will not reduce, and the measures to eliminate excess capacity and optimise structure will not be relaxed. The policies of environmental protection, energy conservation and emission reduction, and off-peak season production will continue to be implemented. The trend for gradual improvement in the industry's supply-demand balance will persist, and regional cooperation and healthy competition are expected to continue. As such, the Group expects the overall industry development in 2019 will continue the trend in 2018. In view of the coexistence of challenges and favourable factors, 2019 is a year filled with promising prospects for those embrace reform and turn a market situation to their advantage to achieve better results.

In a new era of change, constant innovation, efficiency enhancement, cost reduction, structure optimisation and quality improvement will be the direction of the Group's operation management in 2019. The Group will continue to uphold its decades' corporate culture of "Integrity, Diligence, Austerity, Prudence and Innovation", advocate the new vision of "accelerate transformation – creating a new economy", promote intelligent and IT transformation of enterprises, apply ultra-low energy consumption and ultra-low emission standards, invest in urban waste treatment and sludge treatment projects, and enhance competitiveness with excellent quality, stable and reliable services, and the courage to take social responsibility.

As a long-standing, sustainable and innovative international company, the Company will create greater value for society, shareholders and employees with its excellent performance.

OTHER INFORMATION

Final Dividend

In acknowledging the continuous support from the Group's shareholders, the Board recommends the payment of a final dividend of RMB62 cents per ordinary share in respect of the year ended 31 December 2018, subject to approval by shareholders at the forthcoming annual general meeting of the Company. The dividend will be payable on 12 June 2019 to shareholders whose names appear on the Register of Member of the Company on 28 May 2019.

Closure of Register of Members

The register of members of the Company will be closed from Saturday, 18 May 2019 to Thursday, 23 May 2019, 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, 17 May 2019.

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 Tuesday, 28 May 2019 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 Tuesday, 28 May 2019.

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 2018, 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.

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 together with the management and the external auditor 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 2018.

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 2018.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2018, 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 2018 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, 20 March 2019

As at the date of this announcement, the executive Directors are Mr. HSU Shu-ping, Mr. CHANG Tsai-hsiung, 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.