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Asia Cement (China) Holdings Corporation

亞洲水泥(中國)控股公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 743)

ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

SUMMARY

The directors (“**Directors**”) of Asia Cement (China) Holdings Corporation (“the **Company**”) announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the nine months ended 30 September 2020. This announcement is made as part of the Company’s practice to publish its financial results quarterly and pursuant to paragraph 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

The unaudited consolidated profit attributable to owners for the nine months ended 30 September 2020 was approximately RMB1,627.4 million.

The Directors of the Company are making this announcement of the Group’s unaudited consolidated results for the nine months ended 30 September 2020 in line with its practice to publish the Group’s financial results quarterly and pursuant to paragraph 13.09 of the Listing Rules.

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the nine months ended	
	30 September	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	7,267,129	9,182,320
Cost of sales	(4,299,378)	(5,280,605)
Gross profit	2,967,751	3,901,715
Other income	220,088	164,272
Other gains and losses	(106,723)	(83,917)
Distribution and selling expenses	(297,125)	(329,683)
Administrative expenses	(317,193)	(335,984)
Share of profits of joint ventures	6,043	6,524
Share of losses of associates	(4,618)	(2,021)
Finance costs	(120,938)	(210,510)
Profit before tax	2,347,285	3,110,396
Income tax expenses	(667,029)	(813,779)
Profit and total comprehensive income for the period	<u>1,680,256</u>	<u>2,296,617</u>
Profit and total comprehensive income for the period attributable to:		
Owners of the Company	1,627,448	2,240,317
Non-controlling interests	52,808	56,300
	<u>1,680,256</u>	<u>2,296,617</u>
	RMB	RMB
Earnings per share:		
Basic	<u>1.039</u>	<u>1.430</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2020 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2019 <i>RMB'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS		
Property, plant and equipment	7,690,991	8,077,172
Quarry	1,021,246	964,761
Investment properties	121,067	82,420
Goodwill	554,241	554,241
Other intangible assets	5,215	3,571
Interest in joint ventures	56,362	56,491
Interest in an associate	720,504	725,122
Deferred tax assets	102,901	82,222
Right of use assets	800,665	819,682
	11,073,192	11,365,682
CURRENT ASSETS		
Inventories	718,106	674,380
Trade and other receivables	2,453,132	3,962,640
Amount due from an associate	8,927	15,959
Amount due from a joint venture	3,888	10,014
Restricted bank deposits	10,237	14,503
Bank balances and cash	9,533,613	7,942,576
	12,727,903	12,620,072
CURRENT LIABILITIES		
Trade and other payables	1,208,031	2,174,123
Contracts liabilities	341,628	185,525
Amount due to joint ventures	21,204	5,563
Tax payables	289,789	555,414
Borrowings – due within one year	3,436,819	4,770,215
Lease liability – current	5,953	4,512
	5,303,424	7,695,352
NET CURRENT ASSETS	7,424,479	4,924,720
TOTAL ASSETS LESS CURRENT LIABILITIES	18,497,671	16,290,402

	As at 30 September 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Borrowings – due after one year	2,828,643	1,444,094
Lease liability	100,074	96,025
Deferred tax liabilities	69,960	70,555
Provision for environmental restoration	37,913	36,734
	<u>3,036,590</u>	<u>1,647,408</u>
NET ASSETS	<u>15,461,081</u>	<u>14,642,994</u>
CAPITAL AND RESERVES		
Share capital	140,390	140,390
Reserves	14,967,436	14,123,411
	<u>15,107,826</u>	<u>14,263,801</u>
Equity attributable to owners of the Company	15,107,826	14,263,801
Non-controlling interests	353,255	379,193
	<u>15,461,081</u>	<u>14,642,994</u>
TOTAL EQUITY	<u>15,461,081</u>	<u>14,642,994</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the nine months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Net cash from operating activities	2,678,896	3,335,517
Net cash used in investing activities	(155,889)	(241,742)
Net cash used in financing activities	(931,970)	(527,249)
	<u>1,591,037</u>	<u>2,566,526</u>
Net increase in cash and cash equivalents	1,591,037	2,566,526
Cash and cash equivalents at beginning of the year	7,942,576	5,008,691
	<u>9,533,613</u>	<u>7,575,217</u>
Cash and cash equivalents at 30 September	<u>9,533,613</u>	<u>7,575,217</u>

The Group's unaudited consolidated results for the nine months ended 30 September 2020 have been prepared in accordance with the same accounting policies adopted by the Group as disclosed in the last annual report for the year ended 31 December 2019.

The Directors do not recommend payment of a dividend in respect of the first nine months of 2020 (2019: Nil).

Business Review and Prospects

In the third quarter of 2020, despite under pressure from both the epidemic and floods, China's economy had shown a stable recovery trend, with a continued rise in major economic indicators. However, there were still many variables in the international environment, while the domestic economic structural conflicts intensified. As such, there was greater pressure on stabilizing employment and enterprises, as well as ensuring people's livelihood; it thus became necessary to strengthen the foundation for economic stability and recovery.

In the third quarter, with the epidemic prevention and control measures, as well as the resumption of work and production in full swing, investment posted a significantly narrower decline and continued to show signs of recovery. The GDP for the third quarter increased by 4.9% year-on-year, which was 1.7 percentage points higher than that of the second quarter. For the period from January to September 2020, the fixed asset investment of China increased by 0.8% year-on-year, while from January to August it was down by 0.3% year-on-year. For the January to September period, the national infrastructure investment increased by 0.2% year-on-year, while from January to August it dropped by 0.3% year-on-year. The national property development investment for the January-September period increased by 5.6% year-on-year, which was 1.0 percentage point higher than that of the January to August period. The national cement production volume for the January-September period amounted to 1.68 billion tonnes, representing a 1.1% year-on-year decrease, which had narrowed by 1.0 percentage point when compared with that of the January to August period.

Against the backdrop of stable economic recovery, the Group's operations in the central and downstream regions of the Yangtze River and Sichuan during the third quarter are as follows:

1. In July, the "extra-long rainy season" struck the central and downstream regions of the Yangtze River; various regions experienced severe floods, and the market demand for cement undergone a serious periodic decline. In addition, due to the spread of the novel coronavirus pneumonia epidemic at the beginning of the year, the High School Entrance Examinations and the National College Entrance Examinations across China were generally postponed to July, and the period of work suspension at construction sites was longer than that in previous years, thus exacerbating the already weak demand. With enterprises holding relatively high levels of inventories, the market price continued to show a downward trend since the end of June. The market price in Wuhan, Jiujiang, and Shanghai had been reduced by RMB30 to 40 per tonne. In late August, the weather turned fine, and market demand unleashed. The downstream Yangtze River Delta region had already seen three rounds of price increase from August to September, with a cumulative growth of more than RMB80 per tonne; the growth momentum was strong. And Wuhan, Nanchang and Jiujiang in the central region rebounded with an increase of about RMB20 per tonne. It is expected that market demand will remain stable in the

fourth quarter, and there is still room for growth in prices. However, as the level of inventories held by industry players is higher than that in previous years, the ability for enterprises to raise price is rather weak, and sales pressure will test industry consensus.

2. After price rose by RMB30 per tonne in Chengdu in early June, the market was affected by the prolonged rainfall, with weak market demand and high inventories. The low-priced cement from Chongqing, Guizhou, and other surrounding areas continued to eat up the local market share, leading to continuous decline in price in the third quarter, with a cumulative decrease of RMB40 to 45 per tonne. It is expected that the demand will recover and the price will stabilize and rise in the fourth quarter, which is the traditional peak season.

From January to September 2020, the sales volume of the Group's cement products was 19.53 million tonnes, representing a 13.5% year-on-year decrease.

Although under the influence of the epidemic and other factors in 2020, looking into the fourth quarter, the Group is cautiously optimistic about the cement industry, which can be mainly reflected in the demand and supply sides:

1. On the demand side, amid the continuous spread of the epidemic in overseas markets and escalating economic and trade frictions in major economies, China has set the goal of strengthening economy through "internal circulation" and has pushed forward new infrastructure projects to make up the shortfall. From January to August 2020, the planned total investment in new construction projects increased by 12.1% year-on-year, and the amount of disbursed investment increased by 3.7%. Such growth rate was 1.6 percentage points higher than that from January to July period; the growth rate of state budget funds reached 28.5%. In September, there were 5,319 key national projects started construction across the country, with a total investment of RMB2.77 trillion. Among them, the number of projects that started in September increased by 78.5% compared with that of August, and the total investment in projects increased by 96.6% when compared with that of August. The intensive implementation and commencement of key investment projects directly benefits the demand for infrastructure raw materials.
2. On the supply side, the weather has improved since September, and cement demand has risen significantly. Inventories of cement companies in a number of regions have been gradually digested and began to decline. Among them, the inventory in Yangtze River Delta region has dropped to 45%~50%, prompting the price to reach a similar level in the same period of 2019. As winter is coming, in order to win the battle against air pollution, various places continue to implement different emission reduction measures. While high energy-consuming enterprises are implementing phased production restrictions, they have to respond to emergency emission reduction warnings under weather conditions that make air pollution worse. From a general perspective, although the environmental protection policy is slightly loosened when comparing with that of previous year, cement supply is still under strict control.

All in all, benefitting from the proper epidemic prevention and control measures and the stable recovery of market supply and demand, the Group believes that the positive development trend of the cement market is expected to continue, and the traditional peak season in the fourth quarter still has great potential. It is expected that the sales volume of cement products in 2020 will reach 28.70 million tonnes, a 5.8% decrease from 2019, but the decline shall be narrowed when compared with that of the January to September period. In the future, we will continue to improve efficiency, refine management, take advantage of the current favourable situation, and strive for better operating results.

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

Hong Kong, 28 October 2020

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.