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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)

(1) UPDATE ANNOUNCEMENT ON THE ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 AND (2) RESUMPTION OF TRADING

Reference is made to the announcements of Asia Cement (China) Holdings Corporation (the “**Company**”) dated 1 April, 6 April and 30 April 2021 in relation to, among other things, the delay in publication of the 2020 Annual Results, publication of the 2020 Unaudited Annual Results and suspension of trading (the “**Announcements**”). Unless defined otherwise, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

Agreement of the 2020 Annual Results by the Auditor and Expected Publication and Despatch Date of 2020 Annual Report

The Company is pleased to announce that the audit of the 2020 Annual Results has been completed by the auditor on 6 May 2021. The 2020 Annual Results, which have been agreed by the auditor in accordance with Rule 13.49(2) of the Listing Rules, are the same as the 2020 Unaudited Annual Results as announced by the Company on 1 April 2021.

It is expected that the publication and despatch of the 2020 Annual Report will be made on or before 13 May 2021.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the 2020 Unaudited Annual Results as announced by the Company on 1 April 2021 have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the 2020 Unaudited Annual Results as announced by the Company on 1 April 2021 or this further announcement.

Audit Opinion

The auditor of the Group has issued a qualified opinion in the independent auditor's report in connection with audit of the consolidated financial statements of the Group for the year ended 31 December 2020. An extract of independent auditor's report is set out in the section headed "Extract of Independent Auditor's Report" below.

Extract of Independent Auditor's Report

“Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

The Group held five USD denominated 1% fixed-rate secured notes with an aggregate amount of US\$368,000,000 (equivalent to RMB2,401,163,000) with maturity of one year issued by five independent private entities as at 31 December 2020 (the “USD Notes”). The USD Notes, being shown as note receivables in the consolidated statement of financial position, are measured at amortised cost with a loss allowance for expected credit loss of zero. However, the management of the Group was unable to provide us with adequate documentary evidence to confirm that the USD Notes which prima facie have contractual terms giving rise on specified dates to cash flows that may be solely payments of principal and interest on the principal amount outstanding in order to conclude on the appropriateness of classifying these financial assets to be measured at amortised cost, or properly evaluate the associated loss allowance for expected credit loss, in accordance with International Financial Reporting Standard 9 Financial Instruments. Consequently, we are unable to evaluate the accuracy of the disclosures related to the USD Notes in accordance with International Financial Reporting Standard 7 Financial Instruments: Disclosures.

Given the above scope limitation, there were no other satisfactory procedures that we could perform to determine whether the classification of the USD Notes measured at amortised cost and the subsequent measurement with a loss allowance for expected credit loss of zero were appropriate and whether any adjustments to the carrying values of USD Notes were necessary. Consequently, we were unable to obtain sufficient appropriate audit evidence to assess whether the carrying amount of the USD Notes and the related disclosures are free from material misstatement. It is not practicable for us to quantify the effects of the above scope limitation on the consolidated financial statements for the year ended 31 December 2020.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.”

Discussion on Qualified Opinion

(a) Management analysis on the impact of the qualified opinion on the Company’s financial position

The management of the Group (the “**Management**”), through the Audit Committee, noted that the Financial Statements were subject to the qualified opinion of the auditor (the “**Audit Qualification**”), on the basis as set out in the section headed “Basis for the Qualified Opinion” in the Independent Auditor’s Report. The reason which gave rise to the qualified opinion was due to the practical limitation on the provision of adequate documentary evidence to the auditor, to assess the underlying assets, existence and nature of any business operation and the credit risk, associated with the ultimate entity(ies) who received or utilised any of the proceeds under each of the USD Notes (the “**Requested Information**”). There were no other satisfactory procedures that the auditor could perform to determine whether the classification of the USD Notes measured at amortised cost and the subsequent measurement with a loss allowance for expected credit loss of zero were appropriate and whether any adjustments to the carrying values of the USD Notes were necessary. It is not practicable to quantify the effects of the above scope limitation on the consolidated financial statements for the year ended 31 December 2020.

Given the Audit Qualification is merely due to the reason that the auditor could not determine whether the accounting treatment and disclosures about the USD Notes were properly made in accordance with International Financial Reporting Standard 9 *Financial Instruments* and International Financial Reporting Standard 7 *Financial Instruments: Disclosures*, the Management is of the view that the Audit Qualification does not have any actual impact on the consolidated financial position of the Group as at 31 December 2020 and the consolidated financial performance and consolidated cash flow of the Group for the year then ended.

(b) The Management's and the Audit Committee's view on the Audit Qualification

The Management was given to understand that the basis of the Audit Qualification was due to the inherent limitation in practice as a result of the inability of the Notes Issuers (as defined below) to provide the Requested Information to the Company and its auditor despite the Company's requests. The Management has considered the auditor's view as mentioned in the "Basis for Qualified Opinion" of the Independent Auditor's Report and considers the Audit Qualification has been properly addressed.

The Audit Committee has also reviewed the Independent Auditor's Report which highlighted, among other things, the key issues and findings during their audit and the details of the Audit Qualification. For the year ended 31 December 2020, there are no disagreements between the Audit Committee and the Management concerning the Audit Qualification.

(c) The Company's proposed plans and timetable to address the Audit Qualification

The Company has taken all reasonable measures to address the Audit Qualification including proactively communicating with the Notes Issuers and their professional advisors, and promptly addressing the auditor's requests with best efforts. The Management is of the view that the absence of the Requested Information would not materially affect the quality of the investments in the USD Notes as a whole. In any event, the USD Notes are secured by all the present and future undertaking and assets of the Notes Issuers. Upon occurrence of any event of default as specified in the USD Notes, the Company is entitled to enforce against the Notes Issuers over such security to protect its interest. To the best knowledge and belief of the Company and as at the date of this announcement, the Company is not aware of any occurrence of event of default under the USD Notes.

Further, the Board expects the USD Notes will mature by their respective maturity dates which would be by November 2021, whereupon the principal and interest of the USD Notes would be duly repaid in full. As such, the Audit Qualification would not be carried forward to the figures related to the Group's consolidated financial statements for the year ending 31 December 2021 but subject to the auditor's assessment on the audit evidence obtained during the audit of the Group's consolidated financial statements for the year ending 31 December 2021.

Information on the Investments in the USD Notes

As disclosed in the 2020 Unaudited Annual Results published on 1 April 2021, "Note Receivables" of the Group ("**Note Receivables**") totaling RMB2,401,163,000 were recorded as "Current Assets".

The Note Receivables reflect the Company's investments in secured short-term and fixed-interest USD Notes from five issuers (the "Notes Issuers") in October and November 2020 for treasury management purposes in order to manage and better utilize the Group's surplus cash reserves. The availability of the USD Notes was introduced to the Company and recommended by AMC Wanhai Securities Limited as arranger in the aggregate amount of US\$368,000,000 (equivalent to RMB2,401,163,000). Details of the USD Notes subscription are set out below:

Name of the Notes Issuers	Subscription amount (US\$)	Interest rate (%)	Term of subscription	Maturity date
Marble Arch Industrial Limited	70,000,000	1.0	1 year	9 October 2021
Sino Horizon International Limited	70,000,000	1.0	1 year	15 October 2021
East Patron Limited	70,000,000	1.0	1 year	6 November 2021
Wynn Fortune Global Limited	79,000,000	1.0	1 year	23 November 2021
Prime Harbour Holdings Limited	79,000,000	1.0	1 year	25 November 2021

To the best knowledge and belief of the Company, the Notes Issuers are independent among each other and from the Company. The Board believes that the terms of the USD Notes are on normal commercial terms, fair and reasonable to the Group and in the interests of the Shareholders and the Group as a whole.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 1 April 2021. Application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on Friday, 7 May 2021.

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

Hong Kong, 6 May 2021

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.