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 2021

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 9% to RMB11,755.9 million (2020: approximately RMB10,823.8 million).
- Profit attributable to owners of the Company was RMB1,768.3 million (2020: Profit attributable to owners of the Company approximately RMB2,668.7 million).
- Basic earnings per share amounted to RMB1.129 (2020: Basic earnings per share RMB1.703).
- The Board proposed a final dividend of RMB45 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 2021, together with the comparative figures for 2020 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2021

		2021	2020
	NOTES	***RMB'000***	*RMB'000*
Revenue	*3*	**11,755,908**	10,823,753
Cost of sales		**(8,075,943)**	(6,304,971)
Gross profit		**3,679,965**	4,518,782
Other income	*4*	**173,868**	274,258
Other gains and losses	*5*	**(338,487)**	(27,003)
Allowance for credit losses on trade and other receivables, net		**(130,248)**	(115,231)
Distribution and selling expenses		**(473,832)**	(435,567)
Administrative expenses		**(288,591)**	(396,602)
Finance costs		**(51,915)**	(135,934)
Share of profits of joint ventures		**10,097**	10,196
Share of losses of associates		**(16,086)**	(6,138)
Profit before tax		**2,564,771**	3,686,761
Income tax expense	*6*	**(743,468)**	(936,352)
Profit for the year	*7*	**1,821,303**	2,750,409
Other Comprehensive income:			
Item that will not be reclassified subsequently to profit or loss:			
Share of revaluation reserves of an associate		**155,741**	–
Profit and total comprehensive income for the year		**1,977,044**	2,750,409
Profit for the year attributable to:			
Owners of the Company		**1,768,307**	2,668,708
Non-controlling interests		**52,996**	81,701
		1,821,303	2,750,409

	NOTES	2021 RMB'000	2020 RMB'000
Total comprehensive income attributable to:			
Owners of the Company		**155,741**	–
Non-controlling interests		**–**	–
		155,741	–
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**1,924,048**	2,668,708
Non-controlling interests		**52,996**	81,701
		1,977,044	2,750,409
		RMB	*RMB*
Earnings per share			
Basic	*9*	**1.129**	1.703

Consolidated Statement of Financial Position
At 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,040,755**	7,586,580
Quarry		**941,673**	999,574
Investment properties		**132,286**	123,247
Goodwill		**554,241**	554,241
Intangible assets		**4,378**	4,822
Interests in joint ventures		**67,252**	60,515
Interests in associates		**804,340**	718,025
Deferred tax assets		**175,706**	110,571
Right-of-use assets		**783,805**	802,275
		10,504,436	10,959,850
CURRENT ASSETS			
Inventories	*10*	**1,140,753**	608,368
Trade and other receivables	*11*	**2,180,413**	2,385,038
USD Notes		**–**	2,401,163
Financial assets at fair value through profit or loss ("FVTPL")		**65,202**	–
Tax recoverable		**16,532**	–
Amount due from an associate		**7,944**	4,224
Amount due from a joint venture		**6,217**	–
Bank balances and cash		**7,495,358**	5,275,608
		10,912,419	10,674,401
CURRENT LIABILITIES			
Trade and other payables	*12*	**1,476,351**	1,204,170
Contract liabilities		**183,948**	229,310
Amounts due to joint ventures		**14,226**	13,490
Tax payables		**383,404**	494,122
Borrowings – due within one year		**1,118,299**	872,988
Lease liabilities		**6,068**	6,007
		3,182,296	2,820,087
NET CURRENT ASSETS		**7,730,123**	7,854,314
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,234,559**	18,814,164

	NOTES	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Borrowings – due after one year		**350,664**	2,099,171
Deferred tax liabilities		**63,255**	47,176
Provision for environmental restoration		**51,845**	38,161
Lease liabilities		**94,955**	98,428
		560,719	2,282,936
NET ASSETS		**17,673,840**	16,531,228
CAPITAL AND RESERVES			
Share capital	*13*	**140,390**	140,390
Reserves		**17,132,080**	16,008,693
Equity attributable to owners of the Company		**17,272,470**	16,149,083
Non-controlling interests		**401,370**	382,145
TOTAL EQUITY		**17,673,840**	16,531,228

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS")

Amendments to IFRS Standards that are mandatorily effective for the current year

The Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRS Standards issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidation financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these 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 17	Insurance Contracts and the related Amendments[1]
Amendments to IFRS 3	Reference to the Conceptual Framework[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 IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[4]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 April 2021.

Except for the amendments to IFRSs mentioned below, 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

(i) Disaggregation of revenue from contracts with customers

	2021	2020
	RMB'000	*RMB'000*
At a point in time recognition:		
– Sales of cement products and related products	**11,427,735**	10,242,944
– Sales of concrete	**328,173**	580,809
Total	**11,755,908**	10,823,753

(ii) Performance obligations for contracts with customers

Sales of cement products and related products and concrete (revenue recognised at one point in time)

The Group sells cement products and related products and concrete directly to customers (including distributors).

Revenue is recognised when control of the goods has been transferred, upon the goods have been transferred out from the Group's warehouse (delivery). Following the delivery, the customers and distributors have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when selling the goods and bear the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 180 days for cement customers and 180 to 365 days for concrete customers upon delivery.

Under the Group's standard contract terms, customers have a right to exchange for unqualified products. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable where a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet been recognised. The Group's right to recover the product when customers exercise their right is recognised as a right to returned goods asset and a corresponding adjustment to cost of sales.

(iii) Transaction price allocated to the remaining performance obligation for contract with customers

All performance obligations for sale of cement products, concrete and related products are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
Government grant income	**20,572**	84,609
Interest income on bank deposits	**121,366**	176,499
Interest income on note receivables	**19,851**	3,712
Sales of scrap materials	**7,152**	3,943
Transportation fee income	**1,779**	2,194
Rental income, net of outgoings *(note)*	**3,148**	3,066
Interest income on advance to a joint venture	**–**	235
	173,868	274,258

Note: The direct operating expenses incurred for generating rental income amounted to approximately RMB2,218,000 (2020: RMB1,861,000).

5. OTHER GAINS AND LOSSES

	2021	2020
	RMB'000	*RMB'000*
Exchange loss, net	**(3,623)**	(7,019)
Loss on disposal/write-off of property, plant and equipment	**(20,599)**	(35,230)
Loss on return of permit of quarry	**(15,544)**	–
Loss on idle land recovered by the government, net	**(27,293)**	–
Gain on disposal of right-of-use assets	**–**	13,066
Gain on fair value change on investment properties	**6,845**	2,180
Gain on fair value change on financial assets at FVTPL	**1,462**	–
Government penalties and related surcharge	**(226,395)**	–
Impairment loss on investment in an associate	**(53,340)**	–
	(338,487)	(27,003)

6. INCOME TAX EXPENSE

	2021	2020
	RMB'000	*RMB'000*
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**702,949**	852,178
Withholding tax paid	**43,814**	125,928
Underprovision in prior years in respect of PRC EIT	**45,761**	9,974
Deferred tax	**(49,056)**	(51,728)
	743,468	936,352

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

During the year ended 31 December 2021 and 2020, pursuant to the Enterprise Income Tax Law and Implementation Regulations of the Law of the PRC, the applicable tax rate of PRC subsidiaries is 25%, except for certain subsidiaries entitled to different preferential tax rates.

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. were granted a tax concession to pay corporate income tax at a preferential rate of 15% (2020: 15%) in 2021.

7. PROFIT FOR THE YEAR

	2021	2020
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	**790,434**	794,323
– Quarry	**70,486**	71,087
– Intangible assets	**1,631**	1,708
– Right-of-use assets	**38,579**	38,943
Total depreciation and amortisation	**901,130**	906,061
Less: Capitalised in inventories	**(749,214)**	(664,740)
	151,916	241,321
Staff costs, including Directors' remuneration		
Salaries and other benefits	**561,170**	543,917
Retirement benefits scheme contributions	**36,145**	4,446
Total staff costs	**597,315**	548,363
Less: Capitalised in inventories	**(468,951)**	(388,842)
	128,364	159,521
Auditors' remuneration	**5,600**	5,420
Cost of inventories recognised as expenses (including the provision of environmental restoration of RMB13,684,000 (2020: RMB1,427,000))	**8,075,943**	6,304,971

8. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distributions during the year:		
2020 Final, paid – RMB51.1 cents (2020: 2019 Final, paid – RMB50 cents) per share	**800,661**	783,426

A final dividend for the year ended 31 December 2021 of RMB45 cents per share (2020: RMB51.1 cents per share) amounting to approximately RMB705,083,000 (2020: RMB800,661,000) has been proposed by the 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:

	2021	2020
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**1,768,307**	2,668,708
	'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

	2021	2020
	RMB'000	*RMB'000*
Spare parts and ancillary materials	**143,198**	148,923
Raw materials	**604,766**	272,278
Work in progress	**147,114**	66,173
Finished goods	**245,675**	120,994
	1,140,753	608,368

11. TRADE AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**895,555**	1,058,993
Less: Allowance for credit losses	**(314,946)**	(246,850)
	580,609	812,143
Bills receivables	**760,936**	914,710
Notes receivables	**337,379**	366,191
Advances to suppliers	**342,776**	169,742
Deposits	**25,152**	14,127
Prepayments	**55,488**	24,265
Value-added tax recoverable	**15,694**	7,975
Interest receivable from banks	**37,852**	34,453
Other receivables	**24,527**	41,432
	2,180,413	2,385,038

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.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice dates:

	Cements		**Concrete**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
0–90 days	**348,095**	380,431	**59,008**	134,215	**407,103**	514,646
91–180 days	**105,261**	102,681	**25,594**	83,137	**130,855**	185,818
181–365 days	**2,223**	854	**32,784**	65,618	**35,007**	66,472
Over 365 days	**2,144**	–	**5,500**	45,207	**7,644**	45,207
	457,723	483,966	**122,886**	328,177	**580,609**	812,143

The following is an aged analysis of bills receivables and notes receivables presented based on the dates of bills issued by the customers:

	Cements		**Concrete**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
0–90 days	**779,130**	789,814	**5,548**	13,504	**784,678**	803,318
91–180 days	**312,002**	471,283	**1,635**	6,300	**313,637**	477,583
	1,091,132	1,261,097	**7,183**	19,804	**1,098,315**	1,280,901

12. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**435,631**	281,512
Accruals	**230,228**	187,627
Mine reserve fund payable	**299,724**	299,724
Staff wages and welfare payable	**137,127**	134,608
Value added tax payable	**44,754**	104,741
Construction cost payable	**40,410**	41,435
Other taxes payable	**51,230**	22,446
Interest payable	**1,178**	1,765
Consideration payable for acquisition of a subsidiary in 2014	**9,295**	24,385
Government penalties payable	**131,056**	–
Refundable deposits from suppliers	**25,555**	24,923
Other payables	**70,163**	81,004
	1,476,351	1,204,170

The following is an aged analysis of trade payables presented based on the invoice dates:

	2021	2020
	RMB'000	*RMB'000*
0–90 days	**424,170**	264,584
91–180 days	**7,048**	1,907
181–365 days	**4,413**	5,541
Over 365 days	**–**	9,480
	435,631	281,512

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 2020, 31 December 2020, 1 January 2021 and 31 December 2021	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	1,566,851,000	156,685	140,390

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW:

(1) Macro perspectives of China and the industry:

Facing the complex domestic and international situation and numerous risks and challenges, China still maintained a global leadership in economic development and pandemic prevention and control through the hard work of the entire nation in 2021. The overall national economic growth was within a reasonable range and the major development goals for the year had been achieved. A new development pattern was established to forge ahead and new achievements from quality development were made. All this made a good start to the "14th Five Year Plan".

In 2021, China's GDP amounted to RMB114.4 trillion, representing a year-on-year increase of 8.1%, with a two-year average growth of 5.1%. As the world's second largest economy, China maintained a leading position in terms of economic growth among the world's major economies.

The key macroeconomic indicators in 2021 in general were within a reasonable range. China's fixed asset investment increased by 4.9% year-on-year, with a two-year average growth rate of 3.9%; the national infrastructure investment increased by 0.4% year-on-year, with a two-year average growth rate of 0.3%; the national property development investment increased by 4.4% year-on-year, with a two-year average growth rate of 5.7%; the added value of industries above designated size increased by 9.6% year-on-year, with a two-year average growth rate of 6.1%.

As the first year of the "14th Five-Year Plan", 2021 was also the first year of China's implementation of the "dual carbon" policy. With various challenges including "weak demand, higher requirements for environment protection and energy efficiency, sharp rise in cost as well as investment in low carbon and innovation", there was abnormal volatility in national cement demand and supply. On the demand side, cement demand was initially at high levels and gradually decreased under increasing pressure from sharp decline in the growth of fixed assets investment, property and infrastructure investments. On the supply side, affected by "dual control of energy consumption and energy intensity" policy, "restrictions of electricity and production", as well as soaring coal prices, cement supply was in shortage in the second half of the year, with substantial increase in costs. As a result, the national cement market price underwent large fluctuations and reached record highs. In 2021, the national cement output amounted to 2.363 billion tonnes, representing a year-on-year decrease of 1.2%; revenue of the cement industry amounted to RMB1,075.4 billion, representing an increase of 7.3% year-on-year; total profit amounted to RMB169.4 billion, representing a decrease of 10.0% year-on-year.

In 2021, there were 21 national cement and clinker production lines in China in operation with actual clinker capacity of 31.899 million tonnes in total, representing a decrease of 16.4% year-on-year. Most of the new capacities in operation were from capacity replacement projects from the past two years. By geographical region, 34.4% of production capacity in operation were located in Southwest China, 25.7% in South Central China, 21.5% in Northwest China and 18.4% in East China.

(2) Overview of the Group's business:

2021 remained challenging. The cement market initially maintained a high plateau, and gradually entered a downward trend. The development trend for the cement industry in 2021 in the central and downstream region of the Yangtze River and Sichuan region, being the two major markets in which the Group has a well-established presence, is as follows:

The market in the central and downstream regions of the Yangtze River: Owing to the country's call for people to stay put during the Chinese New Year, there were sufficient workers in various places; coupled with nice weather, market demand recovered earlier than the previous year. After the Spring Festival, various market leaders began to shut down their kilns for overhaul, leading to tight supply of clinker and cement along the downstream Yangtze River and the continuity of market prosperity. After May, against the backdrop of property regulation and soaring prices of building materials such as steel, sand and gravel, property and infrastructure projects were under tremendous financial pressure, resulting in a slowdown in construction progress to ease financial pressure. Cement demand weakened and cement price along the Yangtze River started to decline. Entering the third quarter, being the traditional off-peak season, continuous rainfall in a number of provinces in the central region severely affected works on construction sites, resulting in a sluggish demand and decline in both quantity and price. At the end of August, “dual control of energy consumption and energy intensity” policy was rigorously implemented in many provinces. Major cement enterprises complied with power and production restrictions. This together with coal supply shortage and soaring prices led to sharp increase in cement price, which reached record highs. However, pressure from property regulation had not eased, while high raw material price still had lingering effects; the overall cement demand was less than the previous year and the market was not as robust as it should be during a peak season. In December, major cement enterprises began to feel inventory pressure and started to lower price to secure customers.

Sichuan region: The entry of cement products from outside in the first quarter had led to two rounds of local cement price decrease, with a cumulative decline of RMB30 per tonne. Due to the effective execution of the preliminary off-peak season production by local enterprises and rapid recovery of cement demand in the southwest region including surrounding provinces, cement from outside no longer entered the Sichuan market and the imbalance between supply and demand was eased; cement price in the Chengdu market increased accordingly by RMB50 per tonne. In July, the soaring prices of building materials affected construction progress, and cement demand was slowed down. To expand sales channels, cement from outside entered the Sichuan market at low prices to compete for customers. Local companies saw their sales decline, while cement price underwent a seasonal adjustment of RMB50 per tonne. In the fourth quarter, affected by the strict power and production restrictions under the “dual control of energy consumption and energy intensity” policy in Yunnan, Guizhou and other surrounding areas, the production volume of cement enterprises in these places reduced, and hence cement from these areas stopped entering the Sichuan market. In contrast, the impact of electricity regulation on the sales and production of cement in Sichuan was relatively low as hydroelectric power accounted for a relatively large proportion of energy generation. A central environmental inspection team was sent to Sichuan. This together with soaring coal price led to sharp increase in prices in Chengdu, with a cumulative increase of RMB250 per tonne and a record-high price. Cement demand was suppressed by the significant increase in the cost of raw materials. In November, restrictions from “dual control of energy consumption and energy intensity” were eased, and the market entered a downward trend and gradually returned to rationality.

In 2021, the Group's clinker output amounted to 24.48 million tonnes, representing an increase of 2.4% from that of 2020. Total sales volume of cement products (cement and clinker) was 29.50 million tonnes, representing an increase of 2.3% from that of 2020. The prices in the major sales areas of the Group had been hovering at relatively high levels. In 2021, the Group made a profit of RMB1.82 billion.

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

	2021	2020	Change (%)
Cement	**27,337**	26,786	2.1
Clinker	**2,167**	2,058	5.3
Blast-furnace slag powder	**325**	337	(3.6)
	29,829	29,181	2.2

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

	2021	2020	Change (%)
Southeastern region	**13,728**	12,808	7.2
Central region	**5,765**	5,446	5.9
Southwestern region	**7,844**	8,532	(8.1)
	27,337	26,786	2.1

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

	2021		2020	
	Sales volume	**%**	Sales volume	%
High grade cement	**25,889**	**95**	25,284	94
Low grade cement	**1,448**	**5**	1,502	6
	27,337	**100**	26,786	100

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

	2021		2020	
	Sales volume	**%**	Sales volume	%
Bulk cement	**24,772**	**91**	23,808	89
Bagged cement	**2,565**	**9**	2,978	11
	27,337	**100**	26,786	100

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 2021, the Group's revenue amounted to RMB11,755.9 million, representing an increase of RMB932.1 million or 9% from RMB10,823.8 million in 2020. The increase in revenue was mainly attributable to the increase in the sales quality and average selling price of the Group's products during 2021.

	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Southeastern region	**6,135,729**	**52**	5,551,979	51
Central region	**2,190,460**	**19**	1,970,676	18
Southwestern region	**3,429,719**	**29**	3,301,098	31
	11,755,908	**100**	10,823,753	100

In respect of revenue contribution for 2021, sales of cement accounted for 88% (2020: 86%) and sales of concrete accounted for 3% (2020: 5%). The table below is a sales analysis by product for the reporting period:

	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Cement	**10,367,972**	**88**	9,264,298	86
Clinker	**701,551**	**6**	579,732	5
RMC	**327,980**	**3**	580,809	5
Blast-furnace slag powder	**87,209**	**1**	105,451	1
Others	**271,196**	**2**	293,463	3
	11,755,908	**100**	10,823,753	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 2021, the Group's cost of sales increased by approximately 28% to RMB8,075.9 million from RMB6,305.0 million in 2020 due to the increase in coal cost.

The gross profit for 2021 was RMB3,680.0 million (2020: RMB4,518.8 million), with a gross profit margin of 31% (2020: 42%). The decrease in gross profit was mainly attributable to the increase in coal cost 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 2021, other income amounted to RMB173.9 million, representing a decrease of RMB100.4 million from RMB274.3 million in 2020. The decrease in other income was attributable to the decrease in government grants and interest income.

Other Gains and Losses

Other gains and losses mainly comprise net foreign exchange gain or loss, government penalties and related surcharge impairment loss on investment in an associate, decrease or increase in fair value of investment properties, gain on disposal of a leasehold land and loss on disposal/write-off of property, plant and equipment. For 2021, other losses amounted to RMB338.5 million, representing an increase of RMB311.5 million from other losses of RMB27.0 million in 2020. The increase in other losses was principally attributable to the government penalties and related surcharge and impairment loss on investment in an associate.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2021, the distribution and selling expenses increased from RMB435.6 million in 2020 to RMB473.8 million in 2021. Mainly attributable to an increase in transportation costs during 2021.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses, decreased by approximately 27%, from RMB396.6 million in 2020 to RMB288.6 million in 2021. The decrease was attributable to the Group accrued shutdown loss during 2020.

The 62% decrease in finance costs was mainly due to the decrease in bank borrowing and interest rate compared to 2020.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2021 decreased by RMB1,122.0 million, constituting a profit of RMB2,564.8 million (2020: profit of RMB3,686.8 million).

Income Tax Expense

In 2021, income tax expense decreased by RMB192.9 million or approximately 21% to RMB743.5 million, from RMB936.4 million in 2020.

Non-controlling Interests

In 2021, non-controlling interests amounted to RMB53.0 million, representing an decrease of RMB28.7 million or approximately 35% compared with RMB81.7 million in 2020, primarily due to a decrease in profit contribution from Jiangxi Yadong.

Profit for the Year

For 2021, the net profit of the Group amounted to RMB1,821.3 million, representing a decrease of RMB929.1 million from the profit of RMB2,750.4 million in 2020.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2021. Total assets decreased by approximately 1% to RMB21,416.9 million (31 December 2020: approximately RMB21,634.3 million), while total equity increased by approximately 7% to RMB17,673.8 million (31 December 2020: approximately RMB16,531.2 million).

Restricted Bank Deposits, Bank Balances and Cash

As at 31 December 2021, the Group's restricted bank deposits, bank balances and cash amounted to approximately RMB7,495.4 million (31 December 2020: RMB5,275.6 million), of which approximately 90% was denominated in RMB and approximately 10% in US dollars, with the remainder denominated in Hong Kong dollars and Singapore dollars.

Cash Flow

The Group derived its 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 and staff salaries. Cash generated from operating activities decreased from RMB5,017.1 million in 2020 to RMB2,498.9 million in 2021.

The Group's cash inflow from investing activities primarily consisted of interest income, withdrawal of USD Notes, repayment from related companies and proceeds from disposal of property, plant and equipment. The Group's cash outflow from investing activities primarily consisted of purchase of financial assets, purchases of property, plant and equipment and purchases of land use rights. In 2021, cash generated from investment activities of the Group amounted to RMB1,394.2 million (2020: cash used in RMB3,749.7 million).

In 2021, the cash used in financing activities of the Group amounted to RMB2,395.1 million (2020: RMB4,249.4 million). This was primarily due to repayments of bank borrowings and dividends paid in 2021.

Capital Expenditure

Capital expenditure for the year ended 31 December 2021 amounted to approximately RMB347.6 million (31 December 2020: RMB481.2 million), and capital commitments as at 31 December 2021 amounted to approximately RMB44.6 million (31 December 2020: RMB38.5 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 2021 and 2020 are summarized below:

	As at 31 December			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Short-term borrowings	**1,118,299**	**76**	872,988	29
Long-term borrowings	**350,664**	**24**	2,099,171	71
Currency denomination				
– RMB	**672,000**	**46**	310,000	10
– US dollars	**796,963**	**54**	2,662,159	90
Borrowings				
– unsecured	**1,468,963**	**100**	2,972,159	100
Interest rate				
– fixed-rate RMB bank borrowings	**672,000**	**3.06% to 3.15%**	310,000	2.98% to 3.30%
– fixed-rate USD bank borrowings	**796,963**	**0.67% to 0.70%**	2,564,285	0.91% to 1.05%
– variable-rate USD bank borrowings	**–**	**N/A**	97,874	LIBOR plus margin of 0.8% or TAIFX3 plus margin of 0.6%

As at 31 December 2021, the Group had unutilized credit facilities in the amount of RMB12,236.0 million.

As at 31 December 2021, the Group's gearing ratio was approximately 17% (31 December 2020: 24%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2021 and 2020, respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as at 31 December 2021.

Contingent Liabilities

As at the date of this report and as at 31 December 2021, the Board (the "**Board**") is not aware of any material contingent liabilities (31 December 2020: Nil).

Human Resources

As at 31 December 2021, the Group had 3,774 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, on 27 April 2008. The Share Option Scheme was expired on 26 April 2018.

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 2021 (31 December 2020: Nil).

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:

(1) Industry challenges

In 2022, the cement industry still faces various risks and challenges, arising from the following:

First, cement and clinker capacity utilization was 74% in 2021. Excess capacity remains a major problem of the cement industry. In the second, third and fourth quarters of 2021, cement demand in various regions significantly weakened. With high capacity utilization, cement inventory levels rose. Cement price in the mainstream markets in the south decreased rapidly, implying the cement industry was still faced with excess capacity, while the inefficient production capacity phased out slowly. The imbalance between supply and demand was yet to improve. Hence, there is still a long way to go to eliminate excess and inefficient capacities.

Second, despite decline in property investment, the government has not eased its regulation of the property market. In December 2021, the principle of "Houses are for living in and not for speculation" was reaffirmed at the Central Economic Work Conference for promoting affordable housing construction. This means strict regulation of the property sector will continue and the "golden era" of the property market will be history. Although affordable housing may still be a driving force for cement demand, the size of this segment is too small to offset the impact of the downward pressure on the entire property industry.

Third, the cement industry is an energy-intensive industry. A sharp rise in coal and electricity price will lead to a significant increase in the production cost of cement. The implementation of "dual carbon" and "dual control of energy consumption and energy intensity" policies and stricter safety and environmental protection requirements will drive cement enterprises to increase investment in technological modification, which will increase their consolidated costs. Such will pose challenges to profit growth of the cement industry.

(2) Industry trend

Despite various risks and challenges facing demand and supply, there are also numerous positive factors. Challenges and opportunities coexist in 2022. The Group maintains a cautiously optimistic attitude. The main positive factors are as follows:

On the demand side, the carrying out of appropriate and forward-looking infrastructure construction investment was emphasized at the Central Economic Work Conference. In December 2021, the Ministry of Finance allocated in advance RMB1.46 trillion from its 2022 quota for local government special bonds, to prepare for stimulating the economy which is expected to be on a downward trend in the current year. Infrastructure investment will, to a certain extent, offset the negative impact from a property investment downtrend, and, to some degree, help drive cement demand.

On the supply side, quality industry development is still hampered by a relatively large amount of inefficient production capacity and production lines. As such, how to raise the proportion of advanced production capacity and accelerate elimination of inefficient production capacity will continue to be the main focus of the supply-side structural reform. At the end of 2021, the Ministry of Industry and Information Technology issued "14th Five-Year Raw Material Industry Development Plan" requirements. By 2025, the unit clinker energy consumption of cement products will be decreased by 3.7%, and clinker production lines with low energy efficiency level will face the risk of elimination; the action plan for "carbon dioxide peaking and carbon neutrality" of the cement industry is still being formulated. Coupled with the normalisation of off-peak season production and "dual control of energy consumption and energy intensity", "energy saving and carbon reduction" and "quality and efficiency enhancement" will become common requirements in the cement industry. In 2022, production capacity structure will further optimise in anticipation of continued reduction in capacity and decrease in supply.

With respect to price, cement price gradually lowered to normal levels at the end of 2021 and such trend continued into the first quarter of 2022. Benefiting from effective execution of off-peak season production and rise in imported clinker cost, clinker price in the central and downstream regions of the Yangtze River saw three rounds of price increase at the end of February, which helped drive cement demand recovery. Although the overall demand will slightly decline in 2022, the production capacity for the year is expected to continue to be under control owing to expanded implementation of off-peak season production, strengthened regional coordination and implementation of energy saving and environmental protection. The overall market direction will remain unchanged. The mainstream market price is expected to be on an upward trend, while coal price will gradually lower due to the policy of increasing output to ensure coal supply. All this is expected to ease the cost pressure of the cement industry, leading to improvement in industry profit.

(3) The Group's outlook:

The Group predicts that the overall cement market will be stable in 2022. Although the industry might have reached a point of change, it is still in a plateau phase with a promising outlook. In view of the trend of a property investment downturn and strong infrastructure investment, the overall cement demand is expected to be stable but on a downward trend, while cement supply will be suppressed under policy influence. The trend for gradual improvement in the supply and demand imbalance in the cement industry will continue.

After taking into account the various factors including the impact of the economic situation, off-peak season production and "dual control of energy consumption and energy intensity policy", the Group plans to sell 30.00 million tonnes of cement products in 2022, representing an increase of 1.7% from 29.50 million tonnes in 2021.

In view of the changes brought forth by a new era, the Group will continue to adhere to the operational strategies of high efficiency, high quality, high environmental protection, and low cost in 2022. Meanwhile, the Group will strive to stand out among peers through innovation, and further promote intelligentization, digitalization, green development and create new profit growth drivers. It will embrace its longstanding corporate culture of "Integrity, Diligence, Austerity, Prudence and Innovation". As an ambitious, innovative and sustainable international company with strong fundamentals, Asia Cement (China) will create greater value for the country, society, shareholders and employees with its outstanding 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 RMB45 cents per ordinary share in respect of the year ended 31 December 2021, subject to approval by shareholders at the forthcoming annual general meeting of the Company. The dividend will be payable on 22 July 2022 to shareholders whose names appear on the Register of Member of the Company after close of business on Thursday, 7 July 2022.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 7 June 2022 to Friday, 10 June 2022, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 6 June 2022.

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, 7 July 2022 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 4 July 2022.

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 2021.

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 of the Company 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 2021.

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 2021.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2021, 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 2021 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, 30 March 2022

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.