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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

Revenue decreased by 7% to approximately RMB4,947.0 million (2021: approximately RMB5,300.9 million).

Profit attributable to owners of the Company was RMB311.9 million (2021: Profit attributable to owners of the Company was approximately RMB1,073.4 million). The decrease in profit attributable to owners of the Company was mainly attributable to the decrease in the sales volume of the Company's products and the increase in the coal cost.

Basic earning per share amounted to RMB0.199 (2021: Basic earning per share RMB0.685).

INTERIM RESULTS

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 unaudited condensed consolidated interim results for the six months ended 30 June 2022 together with comparative figures for the corresponding period in 2021. These interim condensed consolidated financial statements for the six months ended 30 June 2022 have not been audited, but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	3	4,946,981	5,300,944
Cost of sales		(4,173,479)	(3,427,808)
Gross profit		773,502	1,873,136
Other income	5	105,162	89,429
Other gains and losses	6	(19,291)	(49,808)
Distribution and selling expenses		(205,971)	(233,000)
Administrative expenses		(153,816)	(143,842)
Share of profits of joint ventures		2,388	3,823
Share of losses of associates		(1,127)	(5,408)
Finance costs		(13,565)	(21,408)
Profit before tax		487,282	1,512,922
Income tax expense	7	165,106	406,526
Profit for the period	8	322,176	1,106,396
Profit for the period attributable to:			
Owners of the Company		311,892	1,073,434
Non-controlling interests		10,284	32,962
		322,176	1,106,396
		RMB	RMB
Earnings per share:	10		
Basic		0.199	0.685

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		As at 30 June 2022	As at 31 December 2021
	<i>Notes</i>	RMB'000 (unaudited)	RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	6,824,694	7,040,755
Quarry	12	909,863	941,673
Right-of-use assets		766,382	783,805
Investment properties		133,942	132,286
Goodwill		554,241	554,241
Other intangible assets		3,704	4,378
Interests in joint ventures		69,640	67,252
Interests in associates		803,213	804,340
Deferred tax assets		175,954	175,706
		10,241,633	10,504,436
CURRENT ASSETS			
Inventories	13	1,068,719	1,140,753
Trade and other receivables	14	1,384,535	2,180,413
Financial assets at fair value through profit or loss ("FVTPL")		113,824	65,202
Tax Recoverable		–	16,532
Amount due from an associate		–	7,944
Amount due from a joint venture		13,118	6,217
Bank balances and cash		8,793,260	7,495,358
		11,373,456	10,912,419

		As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
CURRENT LIABILITIES			
Trade and other payables	15	1,708,745	1,476,351
Amount due to a joint venture		25,159	14,226
Tax payables		76,353	383,404
Borrowings – due within one year		1,296,395	1,118,299
Lease Liabilities		7,649	6,068
Contract Liabilities	16	193,848	183,948
		<u>3,308,149</u>	<u>3,182,296</u>
NET CURRENT ASSETS		<u>8,065,307</u>	<u>7,730,123</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>18,306,940</u>	<u>18,234,559</u>
NON-CURRENT LIABILITIES			
Borrowings – due after one year		817,014	350,664
Deferred tax liabilities		53,782	63,255
Lease Liabilities		90,321	94,955
Provision for environmental restoration		54,890	51,845
		<u>1,016,007</u>	<u>560,719</u>
NET ASSETS		<u>17,290,933</u>	<u>17,673,840</u>
CAPITAL AND RESERVES			
Share capital	17	140,390	140,390
Share premium and reserves		16,738,889	17,132,080
Equity attributable to owners of the Company		16,879,279	17,272,470
Non-controlling interests		411,654	401,370
TOTAL EQUITY		<u>17,290,933</u>	<u>17,673,840</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2022

	Attributable to owners of the Company							Sub-total	Non-controlling interests	Total
	Share capital	Share premium	Statutory reserves	Other reserves	Revaluation reserve	Special reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (audited)	140,390	1,308,721	3,077,719	286,038	-	1,635,906	9,700,309	16,149,083	382,145	16,531,228
Profit for the period	-	-	-	-	-	-	1,073,434	1,073,434	32,962	1,106,396
Appropriation	-	-	654,986	-	-	-	(654,986)	-	-	-
Dividends recognised as distribution	-	(800,661)	-	-	-	-	-	(800,661)	-	(800,661)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(33,771)	(33,771)
At 30 June 2021 (unaudited)	<u>140,390</u>	<u>508,060</u>	<u>3,732,705</u>	<u>286,038</u>	<u>-</u>	<u>1,635,906</u>	<u>10,118,757</u>	<u>16,421,856</u>	<u>381,336</u>	<u>16,803,192</u>
At 1 January 2022 (audited)	140,390	508,060	3,732,707	286,038	155,741	1,635,906	10,813,628	17,272,470	401,370	17,673,840
Profit for the period	-	-	-	-	-	-	311,892	311,892	10,284	322,176
Appropriation	-	-	-	-	-	-	-	-	-	-
Dividends recognised as distribution	-	(508,060)	-	-	-	-	(197,023)	(705,083)	-	(705,083)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-
At 30 June 2022 (unaudited)	<u>140,390</u>	<u>-</u>	<u>3,732,707</u>	<u>286,038</u>	<u>155,741</u>	<u>1,635,906</u>	<u>10,928,497</u>	<u>16,879,279</u>	<u>411,654</u>	<u>17,290,933</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	819,214	928,245
Net cash (used in) from investing activities	(152,182)	26,993
Net cash from financing activities	630,870	885,028
	<hr/>	<hr/>
Net increase in cash and cash equivalents	1,297,902	1,840,266
Cash and cash equivalents at beginning of the period	7,495,358	5,275,608
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Cash and cash equivalents at end of the period, represented by bank balances and cash	<u>8,793,260</u>	<u>7,115,874</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with International Accounting Standard 34 (“IAS 34”), “Interim Financial Reporting”.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021.

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the international Accounting Standard Board that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosure set out in these condensed consolidated financial statements.

3. REVENUE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of cement products and related products	4,797,949	5,141,531
Sales of concrete	149,032	159,413
	<u>4,946,981</u>	<u>5,300,944</u>

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

Six months ended 30 June 2022 (unaudited)

	Cement business	Concrete business	Total	Elimination	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE					
External sales	4,797,949	149,032	4,946,981	–	4,946,981
Inter-segment sales	70,437	–	70,437	(70,437)	–
Total	<u>4,868,386</u>	<u>149,032</u>	<u>5,017,418</u>	<u>(70,437)</u>	<u>4,946,981</u>
RESULT					
Segment result	<u>548,372</u>	<u>(12,187)</u>	<u>536,185</u>	<u>–</u>	<u>536,185</u>
Unallocated income					91,986
Central administration costs, Directors' salaries and other unallocated expense					(128,585)
Share of profits of joint ventures					2,388
Share of losses of associates					(1,127)
Finance costs					<u>(13,565)</u>
Profit before tax					<u>487,282</u>

Six months ended 30 June 2021 (unaudited)

	Cement business <i>RMB'000</i>	Concrete business <i>RMB'000</i>	Total <i>RMB'000</i>	Elimination <i>RMB'000</i>	Consolidated <i>RMB'000</i>
REVENUE					
External sales	5,141,531	159,413	5,300,944	–	5,300,944
Inter-segment sales	<u>60,301</u>	<u>–</u>	<u>60,301</u>	<u>(60,301)</u>	<u>–</u>
Total	<u>5,201,832</u>	<u>159,413</u>	<u>5,361,245</u>	<u>(60,301)</u>	<u>5,300,944</u>
RESULT					
Segment result	<u>1,408,550</u>	<u>(45,021)</u>	<u>1,363,529</u>	<u>–</u>	1,363,529
Unallocated income					193,226
Central administration costs, Directors' salaries and other unallocated expense					(20,840)
Share of profits of joint ventures					3,823
Share of losses of associates					(5,408)
Finance costs					<u>(21,408)</u>
Profit before tax					<u>1,512,922</u>

Segment result represents the profit earned (loss incurred) by each segment without allocation of central administration costs, directors' salaries, share of results of joint ventures and associate, investment income and financial costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Inter-segment sales were charged at market price or where no market price was available at cost plus a percentage mark-up.

5. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Government grant	22,096	16,112
Transportation fee income	646	911
Sales of scrap materials	6,562	7,001
Interest income on bank deposits	67,206	64,042
Rental income, net of outgoings	1,509	1,363
Others	7,143	–
	<u>105,162</u>	<u>89,429</u>

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Allowance for doubtful debts, net	11,578	(33,348)
Exchange loss net	(7,738)	(12,779)
Loss on disposal of property, plant and equipment	(1,878)	(3,681)
Loss on fair value change on financial assets at FVTPL	(21,253)	—
	<u>(19,291)</u>	<u>(49,808)</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
— PRC Enterprise Income Tax (“EIT”)	172,052	397,496
Withholding tax paid	—	—
Underprovision (overprovision) in prior years	2,776	4,542
Deferred tax	(9,722)	4,488
	<u>165,106</u>	<u>406,526</u>

For the six months ended 30 June 2022 and 2021, the relevant tax rates for the Group’s subsidiaries in the PRC ranged from 15% to 25% and 15% to 25%, respectively.

No provision for Hong Kong Profits Tax and Singapore income tax has been made in the condensed consolidated statement of comprehensive income as the Group had no assessable profit arising in these jurisdictions for the six months ended 30 June 2022 and 2021.

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

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Depreciation and amortisation	<u>432,301</u>	<u>447,572</u>

9. DIVIDENDS

A final dividend of RMB45 cents per share for the year ended 31 December 2021, amounting to RMB705,083,000, was not paid during the six months ended 30 June 2022.

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2022 and 2021.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	311,892	1,073,434
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,566,851	1,566,851
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,566,851	1,566,851

11. PROPERTY, PLANT AND EQUIPMENT

	Carrying value
	RMB'000
At 1 January 2021 (audited)	7,586,580
Additions	115,126
Depreciation for the period	(399,060)
Disposals	(4,105)
	<u>7,298,541</u>
At 30 June 2021 (unaudited)	7,298,541
At 1 January 2022 (audited)	7,040,755
Additions	169,934
Depreciation for the period	(382,264)
Disposals	(3,731)
	<u>6,824,694</u>
At 30 June 2022 (unaudited)	6,824,694

12. QUARRY

	Carrying value RMB'000
At 1 January 2021 (audited)	999,574
Additions	779
Amortisation during the period	(29,629)
Disposal	(2,160)
	<hr/>
At 30 June 2021 (unaudited)	<u>968,564</u>
At 1 January 2022 (audited)	941,673
Additions	–
Amortisation during the period	(31,810)
Disposal	–
	<hr/>
At 30 June 2022 (unaudited)	<u>909,863</u>

13. INVENTORIES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Spare parts and ancillary materials	162,746	143,198
Raw materials	530,331	604,766
Work in progress	173,286	147,114
Finished goods	202,356	245,675
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	<u>1,068,719</u>	<u>1,140,753</u>

14. TRADE AND OTHER RECEIVABLES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Trade receivables	799,823	895,555
Less: accumulated allowance	(306,310)	(314,946)
	<hr/>	<hr/>
Bills receivable	493,513	580,609
	<u>412,224</u>	<u>1,098,315</u>
Other receivables	905,737	1,678,924
	<u>478,798</u>	<u>501,489</u>
	<hr/>	<hr/>
	<u>1,384,535</u>	<u>2,180,413</u>

The Group has a policy of allowing a credit period from 30 to 180 days for cement customers and 180 to 365 days for concrete customers whereas longer credit term are occasionally allowed to certain selected customers with good credit histories.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
0 – 90 days	314,426	407,103
91 – 180 days	128,481	130,855
181 – 365 days	47,870	35,007
Over 365 days	2,736	7,644
	<u>493,513</u>	<u>580,609</u>

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

15. TRADE AND OTHER PAYABLES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Trade and bills payables	299,871	435,631
Other payables and accruals	1,408,874	1,040,720
	<u>1,708,745</u>	<u>1,746,351</u>
Analysed for reporting purposes as:		
Non-current liabilities	–	–
Current liabilities	1,708,745	1,476,351
	<u>1,708,745</u>	<u>1,476,351</u>

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
0 – 90 days	216,795	424,170
91 – 180 days	31,656	7,048
181 – 365 days	4,843	4,413
Over 365 days	46,577	–
	<u>299,871</u>	<u>435,631</u>

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period for trade purchases is 30 to 90 days.

16. CONTRACT LIABILITIES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Receipt in advance of delivery for sales of cement products and related products	193,568	183,174
Receipt in advance for sales of concrete	280	774
	<u>193,848</u>	<u>183,948</u>

17. SHARE CAPITAL

Issued share capital as at 30 June 2022 amounted to RMB140,390,000. There were no movements in the issued share capital of the Company for the six months ended 30 June 2022.

18. COMMITMENTS

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment and land use rights contracted for but not provided in the condensed consolidated financial statements	74,860	44,623
	<u>74,860</u>	<u>44,623</u>

19. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Joint ventures:		
Purchase	14,644	14,454
Transportation expenses	<u>42,388</u>	<u>46,032</u>
Associate:		
Sale of goods	<u>3,617</u>	<u>3,771</u>

The remuneration of Directors was as follows:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Short-term employee benefits	<u>3,200</u>	<u>3,350</u>

The remuneration of Directors is determined by having regard to the performance of individuals and market trends.

BUSINESS AND FINANCIAL REVIEW

In the first half of 2022, complex international situation and lockdowns in various areas in China due to pandemic control had caused severe adverse impact on economic development and exerted downward pressure on the economy. However, since May, with efficient coordination and overall improvement of domestic pandemic prevention and control, coupled with the effective implementation of a set of policies and measures to stabilise growth, economic activities gradually grew and rebounded. China's GDP increased by 2.5% year-on-year to RMB56,264.2 billion in the first half of 2022, and increased by 0.4% year-on-year to RMB29,246.4 billion in the second quarter. National fixed asset investments increased by 6.1% year-on-year; national infrastructure investments increased by 7.1% year-on-year; manufacturing investment increased by 10.4% and property development investments decreased by 5.4% year-on-year.

Against the backdrop of a downward property market and pandemic lockdowns in numerous areas, cement market demand decreased significantly in the first half of the year. In the first half of 2022, the country's total cement production volume decreased by 15.0% year-on-year to 977 million tonnes.

Situation of the Group's two major markets – the central and downstream region of the Yangtze River and Sichuan region – in the first half of the year is as follows:

1. During January and February, being the traditional off-season, market demand in the central and downstream region of the Yangtze River was sluggish. After the Spring Festival, industry players along the river shut down their kilns due to off-peak season production, leading to low clinker inventory level. This together with factors including surging coal price and increase in imported clinker price caused the downstream clinker price along the Yangtze River to rise sharply, with a cumulative growth of RMB110 per tonne by mid-March. Meanwhile, cement price increased by RMB30-50 per tonne. In late March, the coronavirus outbreak spread in downstream provinces; regional pandemic prevention and control measures led to transportation disruption, while shortage of funds resulted in low operating rate of projects. All this triggered decline in enterprises' shipments. In April, negative impact of the epidemic lockdown on cement demand persisted; the market was suffering from oversupply. In order to ease inventory pressure and compete for market share, major enterprises gradually engaged in "price wars". By the end of June, clinker price decreased by approximately RMB150 per tonne in total, while cement price decreased by RMB100-150 per tonne; the price basically reached rock bottom. In early July, with the recovery of the downstream market and the arrival of the traditional storage cycle of grinding stations, the clinker market along the Yangtze River showed a rebound trend, and price increased by RMB40 per tonne. It is expected that with demand unleashed in the second half, shipments are likely to improve over the first half of the year.

2. In the Sichuan region, cement demand was also weak in January and February, which was the traditional off-season. Cement price dropped by RMB120 per tonne from its high level, and cement from outside basically withdrew from the Chengdu market. Entering March, with nice weather and recovery of private market demand, operating rate of projects and mixing plants increased gradually. Shipments of cement enterprises had recovered to 80-90% of their normal level, while the price increased by approximately RMB60 per tonne. In late March, cement from outside re-entered the local market. In order to maintain their market share, local enterprises provided customers rebates or discounts and maintained price stability. In May, Chengdu 2021 FISU World University Games announced that the games had been postponed; various sites therefore did not need to rush to meet construction deadlines, leading to decline in cement demand and decrease of RMB20 per tonne in price. In June, being the traditional off-season, China Cement Association advocated to suspend operation of each cement production line for no less than 20 days; the supply-demand relationship of the local market thus improved. However, high temperature and power restriction had affected the progress of construction sites in Chengdu and its surrounding areas; market demand was sluggish. Cement price in July was still under downward pressure, and was expected to recover by September.

In the first half of 2022, the sales volume of the Group's cement products (cement + clinker) totaled 13.36 million tonnes, a decrease of 780,000 tonnes or 5.5% from 14.14 million tonnes for the same period of 2021.

Revenue

The table below shows the sales breakdown by region during the reporting period:

	For the six months ended	
	30 June 2022 RMB'000 (unaudited)	30 June 2021 RMB'000 (unaudited)
Region		
Southeastern region	2,588,089	2,650,831
Central region	840,727	969,050
Southwestern region	1,518,165	1,681,063
	<u>4,946,981</u>	<u>5,300,944</u>

In the reporting period, the Group's revenue amounted to RMB4,947.0 million, representing an decrease of RMB353.9 million or 7% from that of RMB5,300.9 million for the corresponding period of 2021. The decrease in revenue was mainly attributable to decrease in the sales volume of the Group's products.

In respect of revenue contribution for the six months ended 30 June 2022, sales of cement and related products accounted for 97% (2021: 97%) and the sales of ready-mix concrete accounted for 3% (2021: 3%). The table below shows the sales breakdown by product during the reporting period:

	For the six months ended	
	30 June 2022	30 June 2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cement	3,935,483	4,758,917
Clinker	681,833	181,775
Blast-furnace slag powder	27,376	39,274
RMC	149,033	159,413
Others	153,256	161,565
	<u>4,946,981</u>	<u>5,300,944</u>

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), employee compensation and benefits, depreciation and amortization and other overhead costs. During the period under review, the Group's cost of sales was RMB4,173.5 million (2021: RMB3,427.8 million). The increase in cost of sales was mainly due to the increase in the coal cost.

The gross profit for the six months ended 30 June 2022 was RMB773.5 million (2021: RMB1,873.1 million), representing a gross profit margin of 16% on revenue (2021: 35%). The decrease in gross profit was mainly attributable to decrease in the sales volume of the company's products and the increase in the coal cost when compared with that of the corresponding period of the previous year.

Other Income

Other income mainly comprises government grants, transportation fee income, interest income and sales of scrap materials. For the six months ended 30 June 2022, other income amounted to RMB105.2 million, representing an increase of RMB15.8 million or 18% from RMB89.4 million for the corresponding period in 2021. The increase in other income was attributable to the increase in government grants and other incomes.

Other Gains and Losses

Other gains and losses mainly comprise net foreign exchange gain or loss, loss on fair value change on financial assets at FVTPL, loss and disposal of property, plant and equipment and allowance of doubtful debts. For the period under review, other losses amounted to RMB19.3 million, representing a decrease of RMB30.5 million from the losses of RMB49.8 million for the corresponding period in 2021. The decrease in losses was principally attributable to the reverse in allowance of doubtful debts and loss on fair value change on financial assets at FVTPL.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For the six months ended 30 June 2022, the distribution and selling expenses amounted to RMB206.0 million, representing an decrease of RMB27.0 million or 12% from RMB233.0 million for the corresponding period of 2021. The decrease in distribution and selling expenses was attributable to decrease in transportation fees, handling charges and packing material consumed during the period under review.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses increase by 7%, to RMB153.8 million from RMB143.8 million for the corresponding period of 2021. The increase was attributable to increase in other expenses.

The finance costs decreased by 37% was mainly due to decrease in borrowing.

Profit for the Period

In the reporting period, the net profit of the Group amounted to RMB322.2 million, representing an decrease of RMB784.2 million from a net profit of RMB1,106.4 million for the corresponding period of 2021. The decrease in net profit was mainly attributable to decrease in the sales volume of the company's products and the increase in the coal cost when compared with that of the corresponding period of the previous year.

Financial Resources and Liquidity

The Group maintained a healthy financial and liquidity position for the six months ended 30 June 2022. The total assets approximately RMB21,615.1 million (31 December 2021: approximately RMB21,416.9 million) while the total equity approximately RMB17,291.3 million (31 December 2021: approximately RMB17,673.8 million).

As at 30 June 2022, the Group's cash and cash equivalents amounted to approximately RMB8,793.3 million (31 December 2021: approximately RMB7,495.4 million).

As at 30 June 2022, the Group's gearing ratio was approximately 20% (31 December 2021: 17%). The calculation of the gearing ratio was based on total liabilities and total assets as at 30 June 2022 and 31 December 2021, respectively.

Borrowings

The maturity profiles of the Group's borrowings outstanding as at 30 June 2022 and 31 December 2021 are summarized as below:

	30 June 2022 <i>RMB'000</i> (unaudited)	31 December 2021 <i>RMB'000</i> (audited)
Within one year	1,296,395	1,118,299
Within a period more than one year but not exceeding two years	817,014	350,664
	<u>2,113,409</u>	<u>1,468,963</u>

Capital Expenditure and Capital Commitments

Capital expenditure for the six months ended 30 June 2022 amounted to approximately RMB171.1 million (31 December 2021: approximately RMB347.6 million) and capital commitments as at 30 June 2022 amounted to approximately RMB74.9 million (31 December 2021: approximately RMB44.6 million). Both the capital expenditure and capital commitments were mainly related to the purchase of plant, equipment and investment projects. The Group anticipates funding those commitments from future operating revenue, bank borrowings and other sources of finance when appropriate.

Pledge of Assets

As at 30 June 2022, the Group did not have any pledge or charge on assets (31 December 2021: Nil).

Contingent Liabilities

As at the date of this announcement and as at 30 June 2022, the Board was not aware of any material contingent liabilities (31 December 2021: Nil).

Human Resources

As at 30 June 2022, the Group had 3,735 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted Share Option Scheme, where eligible directors and employees are entitled to various share options to subscribe for ordinary shares in the Company in accordance with their past and potential contribution to the growth of the Group. As at 30 June 2022, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposals of Subsidiaries and Affiliated Companies

The Group had no significant investment, material acquisitions or disposals for the six months ended 30 June 2022.

Foreign Exchange Risk Management

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

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

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above, there was no important event affecting the Group that occurred after 31 December 2021 and up to the date of this announcement.

Prospects

Looking into the second half of 2022, there remains challenges and opportunities. The Group is cautiously optimistic about the development of the cement industry:

On the demand side, the overall demand of the cement industry is on a downward trend, but the government will continue to boost macroeconomic policy support to stabilise growth, by continuing to promulgate policies on key water conservancy projects, comprehensive three-dimensional transportation network and pipeline upgrade and renovation, etc. In the second half of the year, infrastructure investment will contribute to demand recovery to certain extent. In June, Hubei Provincial Development and Reform Commission released the 2022 provincial key construction plan, including 456 construction projects, with an annual planned investment of RMB303.8 billion, an increase of 47% over the previous year. As of the end of June, out of the 160 key projects of the Chengdu-Chongqing Economic Circle in 2022, 152 projects have commenced construction, with cumulative completed investment of RMB438.2 billion and investment of RMB106.98 billion to be completed this year. Recently, the General Office of the State Council forwarded the work plan of the National Development and Reform Commission, and proposed 12 policies and measures in 4 aspects, focusing on transportation,

water conservancy, energy, urban construction and other construction sectors, and pushed forward with key government-invested engineering projects to provide wage-paying jobs rather than welfare benefits. With the acceleration of the resumption of work and production in various places, the positive impact of infrastructure investment recovery on cement demand in the second half of the year is much anticipated.

On the supply side, policies such as off-peak season production, dual carbon targets policy, and dual control of energy consumption and energy intensity policy have promoted the orderly phase-out of inefficient production capacity in the cement industry. From a medium to long-term perspective, the general trend of easing pressure from supply-demand imbalance of the cement industry will not change. The inventory of the cement industry has risen recently due to decrease in demand; on the other hand, a number of provinces have successively introduced plans to increase the number of days for executing off-peak season production; it is expected that industry's inventory level will show a significant downward trend after the industry implements off-peak season production from July to August. With the end of the traditional off-peak season, cement price will recover and rise in mid and late August. The cement market is expected to face a turnaround.

All in all, the Group believes that a growth trend in the cement industry is expected this year, depicting a “weak market followed by a strong market”. Cement market demand is expected to rapidly unleash in the second half of the year. The Group plans to sell 16.00 million tonnes of cement products in the second half of the year and 29.36 million tonnes of cement products for the whole year.

In the second half of the year, the Group will push forward with proposals formulated on efficiency enhancement, cost reduction, structure improvement and quality enhancement; promote various management system reforms, optimise internal operating procedures, maintain a brand image of high quality and excellent service, and enhance the overall competitiveness of the Group. At the same time, the Group will strive to consolidate its share in core markets. And with the improvement of external market conditions, business performance should be significantly improved in the second half of the year.

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 six months ended 30 June 2022.

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.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2022, and was of the opinion that the preparation of such interim results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIVIDENDS

The Board does not recommend payment of any dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. Having made specific enquiry with all Directors, all the Directors confirmed that they have complied with the Model Code throughout the period under review.

PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's Interim Report 2022 for the six months ended 30 June 2022 will be despatched to the shareholders of the Company and published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.com.hk) and the Company (www.achc.com.cn) 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 period.

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

Hong Kong, 5 August 2022

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