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Asia Cement (China) Holdings Corporation

亞洲水泥(中國)控股公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 743)

ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

SUMMARY

The directors ("**Directors**") of Asia Cement (China) Holdings Corporation ("the **Company**") announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the nine months ended 30 September 2022. This announcement is made as part of the Company's practice to publish its financial results quarterly and pursuant to paragraph 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

The unaudited consolidated profit attributable to owners for the nine months ended 30 September 2022 was approximately RMB371.4 million.

The Directors of the Company are making this announcement of the Group's unaudited consolidated results for the nine months ended 30 September 2022 in line with its practice to publish the Group's financial results quarterly and pursuant to paragraph 13.09 of the Listing Rules.

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the nine months ended 30 September	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue	**7,086,930**	8,020,583
Cost of sales	**(6,061,081)**	(5,418,932)
Gross profit	**1,025,849**	2,601,651
Other income	**120,553**	133,782
Other gains and losses	**21,171**	(68,831)
Distribution and selling expenses	**(316,453)**	(356,792)
Administrative expenses	**(233,631)**	(271,433)
Share of profits of joint ventures	**4,390**	5,819
Share of losses of associates	**(524)**	(10,162)
Finance costs	**(31,528)**	(42,470)
Profit before tax	**589,827**	1,991,564
Income tax expenses	**(207,041)**	(578,079)
Profit and total comprehensive income for the period	**382,786**	1,413,485
Profit and total comprehensive income for the period attributable to:		
Owners of the Company	**371,362**	1,369,533
Non-controlling interests	**11,424**	43,952
	382,786	1,413,485
	RMB	*RMB*
Earnings per share:		
Basic	**0.237**	0.874

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2022	As at 31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
NON-CURRENT ASSETS		
Property, plant and equipment	**6,729,984**	7,040,755
Quarry	**894,056**	941,673
Investment properties	**133,942**	132,286
Goodwill	**554,241**	554,241
Other intangible assets	**3,332**	4,378
Interest in joint ventures	**71,643**	67,252
Interest in an associate	**803,816**	804,340
Deferred tax assets	**172,581**	175,706
Right of use assets	**757,016**	783,805
	10,120,611	10,504,436
CURRENT ASSETS		
Inventories	**938,633**	1,140,753
Trade and other receivables	**1,454,767**	2,180,413
Financial assets at fair value through profit or loss	**115,225**	65,202
Tax recoverable	**–**	16,532
Amount due from an associate	**–**	7,944
Amount due from a joint venture	**7,369**	6,217
Bank balances and cash	**8,733,741**	7,495,358
	11,249,735	10,912,419
CURRENT LIABILITIES		
Trade and other payables	**904,603**	1,476,351
Contracts liabilities	**246,399**	183,948
Amount due to joint ventures	**19,948**	14,226
Tax payables	**83,185**	383,404
Borrowings – due within one year	**1,204,000**	1,118,299
Lease liability – current	**6,215**	6,068
	2,464,350	3,182,296
NET CURRENT ASSETS	**8,785,385**	7,730,123
TOTAL ASSETS LESS CURRENT LIABILITIES	**18,905,996**	18,234,559

	As at 30 September 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Borrowings – due after one year	**1,353,996**	350,664
Lease liability	**89,517**	94,955
Deferred tax liabilities	**55,176**	63,255
Provision for environmental restoration	**55,764**	51,845
	1,554,453	560,719
NET ASSETS	**17,351,543**	17,673,840
CAPITAL AND RESERVES		
Share capital	**140,390**	140,390
Reserves	**16,798,363**	17,132,080
Equity attributable to owners of the Company	**16,938,753**	17,272,470
Non-controlling interests	**412,790**	401,370
TOTAL EQUITY	**17,351,543**	17,673,840

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the nine months ended 30 September	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net cash from operating activities	**1,083,326**	1,584,033
Net cash used (used in) from investing activities	**(197,353)**	750,097
Net cash used from (used in) financing activities	**352,410**	(1,082,288)
Net increase in cash and cash equivalents	**1,238,383**	1,251,842
Cash and cash equivalents at beginning of the year	**7,495,358**	5,275,608
Cash and cash equivalents at 30 September	**8,733,741**	6,527,450

The Group's unaudited consolidated results for the nine months ended 30 September 2022 have been prepared in accordance with the same accounting policies adopted by the Group as disclosed in the last annual report for the year ended 31 December 2021.

The Directors do not recommend payment of a dividend in respect of the first nine months of 2022 (2021: Nil).

Business Review and Prospects

In the third quarter of 2022, despite the influence of multiple factors including contracting external demand, sporadic outbreaks of COVID-19 in various regions of China and extremely hot weather, the national economy was still able to withstand pressure and continued to recover. The national economy was operating within a reasonable range with positive changes shown in major indicators. However, downward pressure on the national economy is increasing, as the international environment remains complicated, prices of staple commodities hover at high levels, the pace of tightening monetary policies in certain European countries and the United States is accelerating and the risk of global stagflation rises. The impact of changes in external situations on the economy remains uncertain.

The gross domestic product of China grew by 3.9% year-on-year in the third quarter of 2022, and rose by 3.0% year-on-year in the first three quarters, the national fixed asset investment increased by 5.9% year-on-year; the national infrastructure investment increased by 8.6% year-on-year; the national property development investment decreased by 8.0% year-on-year; the added value of the industrial enterprises above designated size increased by 4.8% year-on-year.

In the first three quarters, the total national cement output was 1.36 billion tonnes, down by 12.5% year-on-year. In the third quarter, affected by multiple factors such as hot weather, typhoons, sporadic outbreaks in various regions and the weak real estate market, the recovery of cement demand was below expectations. It is expected that the national total cement output for the whole year will decrease significantly year-on-year.

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

1. Markets in the central and downstream region of the Yangtze River: The third quarter is traditionally an off-season for the cement industry. Affected by sporadic COVID-19 outbreaks, prolonged hot weather, and continued decline in the property market in the third quarter, cement demand was further depressed. Selling prices in various areas showed mixed performances and had difficulty rising until the hot weather came to an end in September; by then, cement demand recovered slightly and selling price stopped falling and began to rise. After several rounds of price fluctuations, the selling price of cement at the end of the third quarter in the Wuhan market rose by RMB15 per tonne when compared with that at the beginning of the third quarter. Price in Nanchang and Jiujiang markets dropped by RMB10-20 per tonne, while price in Shanghai and Yangzhou markets rose by RMB40-50 per tonne. In the clinker markets along the Yangtze River, the storage cycle for downstream grinding stations began in July, which lifted the clinker price along the Yangtze River. However, no significant improvement

was seen in cement demand in July and August, which led to clinker price higher than cement price. As the incentive to pick up products at downstream grinding stations was low, leading enterprises along the river lowered price to boost sales in August and September until the recovery of clinker price in early October, with selling price RMB30 per tonne higher than that at the start of the third quarter. It is expected that in the fourth quarter, market demand in the central and downstream region of the Yangtze River will continue to pick up slowly. However, unfavourable factors such as sporadic outbreaks, depressed property market still persist; clinker and cement prices will make a slight recovery.

2. Sichuan region: In the third quarter, affected by the frequent influx of low-priced cement from the surrounding areas, as well as unexpected factors such as industrial and enterprises' production suspension amid power cuts and stricter COVID-19 control measures including lockdown measures, the recovery of cement demand in Chengdu and its neighbouring markets was severely affected and the market was volatile. After attempts in raising cement selling prices in early September, local industry players lowered their selling price as deliveries fell short of expectations. As at the end of the third quarter, selling price of cement in the Chengdu market decreased by RMB20 per tonne when compared with that at the beginning of the third quarter. It is expected that cement demand will slowly recover in the fourth quarter, while price will basically stabilise.

In the first three quarters, the total sales volume of the Group's cement products (cement + clinker) amounted to 20.18 million tonnes, a decrease of 1.68 million tonnes or 7.7% from 21.86 million tonnes for the same period of 2021.

Although uncertainties that surround economic growth increase due to the relatively complex international and domestic environments, it is expected that there are still challenges and opportunities in the cement industry in the fourth quarter, and the Group is cautiously optimistic about this:

1. As for demand side, the real estate market's bearish trend will persist. However, since the third quarter, favourable policies on the property market have been successively introduced. Especially in September, after the People's Bank of China introduced the policy on lowering first-home mortgage rates, several cities have lowered the commercial loan rates and housing provident fund loan rates for first homes. It is expected that the phenomenon of lower mortgage rates, relaxation of home purchase restrictions will occur in more cities, while decline in real estate investment is expected to gradually narrow, which to a certain extent will improve the subsequent demand for cement. On the other hand, the State Council, the central bank, the National Development and Reform Commission and other ministries emphasised "achieving measurable results as soon as possible" several times in the second half of the year. The acceleration of the implementation process of infrastructure will create real demand for building materials. With construction funds such as special-purpose bond funds gradually available, construction of infrastructure projects will commence successively, which will provide support to subsequent cement demand.

2. With respect to supply side, the cement industry continued to reach a consensus on off-peak season production. Since the second half of this year, off-peak season production has been implemented effectively in various regions. Entering October, several provinces continued to arrange strict off-peak season production plan, which helped reduce excessive supply and ease the overall inventory pressure of the industry. In addition, the central and downstream region of the Yangtze River suffered from an extremely long drought this year. The water levels of the Yangtze River continued to be low, causing a significant surge in shipping rates. This coupled with increase in coal price, which will pass onto cement cost, will drive up the price of cement in the fourth quarter.

All in all, the Group is of the view that although the current recovery of cement demand falls short of expectations, the fundamentals for slow demand recovery still exist. As industry supply continues to contract, supply and demand imbalance in the fourth quarter is expected to ease and cement price will stabilise and rise. The Group's sales volume of cement products (cement + clinker) for the year 2022 is estimated to be approximately 28.36 million tonnes, representing a decline of 3.9% compared to the full year of 2021, which is less than the national average. In future, the Group will continue to leverage its integrated storage and transportation advantage, and maintain a brand image of high quality and excellent service. At the same time, the Group will respond to the prevailing difficult market environment in a flexible manner by actively adapting its business strategies. The Group will strive to consolidate its share in core markets. And with the improvement in market demand conditions, business performance should be significantly improved in the fourth quarter.

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

Hong Kong, 28 October 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.