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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 2024 AND CHANGE OF COMPANY SECRETARY, PROCESS AGENT AND AUTHORISED REPRESENTATIVE

SUMMARY

The board of Directors (the “**Board**”) of Asia Cement (China) Holdings Corporation (“the **Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended 30 September 2024. This announcement is made as part of the Company’s practice to publish its financial results quarterly and pursuant to rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

The unaudited consolidated loss attributable to owners for the nine months ended 30 September 2024 was approximately RMB458,998,000.

The Board announces that Ms. Mok Ming Wai (“**Ms. Mok**”) has resigned from the following positions of the Company to devote more time to pursue her personal commitments, with effect from 31 October 2024:

- (i) company secretary (the “**Company Secretary**”);
- (ii) agent for the service of process and notices on behalf of the Company in Hong Kong (the “**Process Agent**”) as required under Rule 19.05(2) of the Listing Rules; and
- (iii) authorised representative (“**Authorised Representative**”) pursuant to Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and Rule 3.05 of Listing Rules.

The Board further announces that, following the resignation of Ms. Mok, Mr. Lui Wing Yat Christopher (“**Mr. Lui**”) has been appointed as the Company Secretary, the Process Agent and the Authorised Representative, with effect from 31 October 2024.

The Board are making this announcement of the Group's unaudited consolidated results for the nine months ended 30 September 2024 in line with its practice to publish the Group's financial results quarterly and pursuant to rule 13.09 of the Listing Rules.

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the nine months ended	
	30 September	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	4,118,612	5,715,769
Cost of sales	<u>(3,893,727)</u>	<u>(4,870,015)</u>
Gross profit	224,885	845,754
Other income	88,073	151,324
(Allowance for) reversal of expected credit losses on trade receivables, net	(76,571)	40,914
Other expense, other gains and losses	15,631	(10,295)
Distribution and selling expenses	(247,155)	(332,847)
Administrative expenses	(226,668)	(253,808)
Share of losses of joint ventures	(5,356)	(1,703)
Share of losses of associates	(3,379)	(4,580)
Finance costs	<u>(42,714)</u>	<u>(55,256)</u>
(Loss) profit before tax	(273,254)	379,503
Income tax expenses	<u>(190,855)</u>	<u>(257,867)</u>
(Loss) profit for the period	<u>(464,109)</u>	<u>121,636</u>
(Loss) profit for the period attributable to:		
Owners of the Company	(458,998)	116,164
Non-controlling interests	<u>(5,111)</u>	<u>5,472</u>
	<u>(464,109)</u>	<u>121,636</u>
	<i>RMB</i>	<i>RMB</i>
(Loss) earnings per share:		
Basic	<u>(0.293)</u>	<u>0.074</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2023 <i>RMB'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS		
Property, plant and equipment	5,910,629	6,112,737
Quarry	778,864	825,620
Right of use assets	703,738	722,655
Investment properties	133,352	133,352
Goodwill	554,241	554,241
Intangible assets	2,458	3,158
Interest in joint ventures	87,651	94,068
Interest in an associate	774,310	777,688
Deferred tax assets	155,868	139,633
Restricted bank deposits	4,513	–
	9,105,624	9,363,152
CURRENT ASSETS		
Inventories	477,756	606,947
Trade and other receivables	786,967	893,986
Financial assets at fair value through profit or loss	170,395	138,726
Tax recoverable	1,633	6,005
Amount due from an associate	3,957	6,057
Amount due from a joint venture	5,461	5,461
Restricted bank deposits	95,433	6,016
Bank balances and cash	8,691,630	9,256,549
	10,233,232	10,919,747
CURRENT LIABILITIES		
Trade and other payables	998,960	825,163
Amount due to a joint venture	15,811	22,515
Amount due to an associate	256	–
Tax payables	15,797	96,357
Borrowings – due within one year	727,000	1,148,000
Lease liability	6,053	6,464
Contracts liabilities	177,784	119,067
	1,941,661	2,217,566
NET CURRENT ASSETS	8,291,571	8,702,181
TOTAL ASSETS LESS CURRENT LIABILITIES	17,397,195	18,065,333

	As at 30 September 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Borrowings – due after one year	392,000	625,000
Lease liability	89,338	89,940
Provision for environmental restoration	73,079	53,972
Deferred tax liabilities	164,327	89,620
	718,744	858,532
NET ASSETS	16,678,451	17,206,801
CAPITAL AND RESERVES		
Share capital	140,390	140,390
Reserves	16,179,222	16,702,461
Equity attributable to owners of the Company	16,319,612	16,842,851
Non-controlling interests	358,839	363,950
TOTAL EQUITY	16,678,451	17,206,801

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the nine months ended 30 September	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Net cash from operating activities	258,811	1,241,916
Net cash used in investing activities	(59,889)	(214,103)
Net cash used in financing activities	(763,841)	(918,212)
Net (decrease) increase in cash and cash equivalents	(564,919)	109,601
Cash and cash equivalents at beginning of the year	9,256,549	8,900,448
Cash and cash equivalents at 30 September	8,691,630	9,010,049

The Group's unaudited consolidated results for the nine months ended 30 September 2024 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 2023.

The Board do not recommend payment of a dividend in respect of the first nine months of 2024 (2023: Nil).

Business Review and Prospects

In the first three quarters of 2024, the domestic and international environment was complex and constantly evolving, with external disruptions intermingling, resulting in heightened risks and challenges. The domestic economy was at a crucial stage of structural adjustment and transformation. Cyclical and structural contradictions were interconnected, and the difficulties of adjustment were being addressed. Economic growth fluctuated slightly in the second and third quarters; however, over time, the national economy was maintaining a stable performance. Especially since September, the accelerated introduction of a package of incremental policies has greatly enhanced market confidence and vitality. Major economic indicators showed positive changes, and the total number of positive factors in promoting economic improvement increased.

In the third quarter of 2024, the national gross domestic product (GDP) reached RMB33,291.0 billion, representing a year-on-year increase of 4.6%. GDP for the first three quarters reached RMB94,974.6 billion, representing a year-on-year increase of 4.8%. From January to September, the national fixed asset investment grew by 3.4% year-on-year, infrastructure investment increased by 4.1% year-on-year, manufacturing investment increased by 9.2% year-on-year, and real estate development investment decreased by 10.1% year-on-year, the added value of the industrial enterprises above designated size increased by 5.8% year-on-year.

From January to September of 2024, the national cumulative cement production was 1.327 billion tonnes, representing a year-on-year decline of 10.7%; such decline rate was the same as that of the period from January to August 2024. Since the beginning of the year, local government debt pressure has increased, while the number of newly started construction projects has significantly decreased, causing slow recovery in demand during peak season in the third quarter. Both monthly output in and cumulative output up to September were at their lowest levels when compared with those of the same period since 2010.

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:

- A. Markets in the central and downstream region of the Yangtze River: Major industry players along the river made several attempts to raise prices in the first half of the year but faced numerous setbacks. At the beginning of the third quarter, cement demand continued to show weak trends, with prices fluctuating at low levels. In the third quarter, the cement industry began to stepped up efforts in implementing staggered peak production and kiln suspension, alleviating supply-demand imbalances and paving the way for price increases in September. Thanks to the effective implementation of staggered peak production, and driven by a strong desire among industry players to improve performance, the eastern Hubei market experienced two rounds of price increases in early and late September, followed by a third increase after the National Day holiday, resulting in a total price increase of RMB90 per tonne. Meanwhile, the market along the downstream region saw a one-time increase in clinker and cement price of RMB100 per tonne at the end of September. As the actual cement demand has not recovered to the levels of the same period in previous years, the market was in a somewhat wait-and-see mode after the significant price hikes. However, from a general perspective, the recent price increases have largely been implemented.
- B. Sichuan region: In the second quarter, price continued to see a satisfactory recovery. However, entering June and July, which was low season for demand, industry shipments declined substantially. To boost sales, enterprises in the surrounding areas of Chengdu began to lower prices in early July, which was followed by rainy weather throughout the month of July. Market performance remained weak. Cement prices experienced several rounds of declines, with a cumulative decrease of RMB90 per tonne by mid-August. After August, the weather turned better, and cement demand improved. Local enterprises wanted to raise price, but the inventory levels of the industry players at this time remained generally high, causing them to put on hold their plans for price increase, with major companies primarily focusing on depleting stock. High temperatures persisted in late August, while power and production restrictions were imposed on cement companies, leading to further reduction of inventory levels in the industry. Entering September, local cement companies continued to implement staggered peak production and kiln suspension for 15 days, thus creating a window for cement price recovery. Such resulted in two rounds of price hikes in early and late September, with a total increase of RMB90 per tonne. After the National Day holiday, cement demand significantly improved. With improvement in cement demand and plans to continue with the implementation of staggered peak production in October; industry players were optimistic about the future market conditions, leading to another price increase of RMB50 per tonne in mid-October.

From January to September 2024, affected by factors such as adjustments during the depressed stage of the real estate market and slowdown in the growth rate of infrastructure investment, the cement market demand in the cities where the Group had strategic presence had significantly declined, while the sales volume of cement products (cement+clinker) also decreased.

In late September, the central bank promulgated a series of policies involving reducing interest rates, lowering the down-payment ratio on second home purchase, supporting the utilisation of existing properties, etc. The Central Economic Work Conference, for the first time, put forth “promote the stabilisation and recovery of the real estate market”, sending out a clear signal of “stabilising the real estate sector”, which will have positive impact on the macro economy and the real estate market. However, considering that the changes in mid to long-term factors such as income and employment that affect people’s willingness to purchase property require a certain amount of time, the Group expects the real estate market will continue to consolidate at the bottom in the short run. In the second half of the year, especially in the fourth quarter, the fiscal policy will be implemented at a faster pace, while the issuance of special bonds will significantly accelerate, creating positive expectations for cement demand in the infrastructure sector. However, a portion of the newly issued special bonds will be used to resolve existing debts, which will somewhat reduce the effectiveness of policies for new investments.

Looking into the fourth quarter, cement demand will recover to certain extent. The enhanced implementation of staggered peak production in various regions will temporarily ease cement supply and demand imbalance. It is expected that the increase in cement price in the third quarter will continue until the end of the year. Cement enterprises’ profitability is likely to see marginal improvement. Against such background, the Group will continue to adhere to its operational strategies of high efficiency, high quality, excellent service, and high environmental protection, and keep enhancing customer service experience, while striving to make a difference, by leveraging its integrated storage and transportation advantages to fully participate in market competition to maintain its core market shares. At the same time, the Group will maintain effective customer relationships, while ensuring reliable supply during the peak construction period of key construction projects.

CHANGE OF COMPANY SECRETARY, PROCESS AGENT AND AUTHORISED REPRESENTATIVE

The Board announces that Ms. Mok Ming Wai (“**Ms. Mok**”) has resigned from the following positions of the Company to devote more time to pursue her personal commitments, with effect from 31 October 2024:

- (i) company secretary (the “**Company Secretary**”);
- (ii) agent for the service of process and notices on behalf of the Company in Hong Kong (the “**Process Agent**”) as required under Rule 19.05(2) of the Listing Rules; and
- (iii) authorised representative (“**Authorised Representative**”) pursuant to Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and Rule 3.05 of Listing Rules.

Ms. Mok has confirmed that she has no disagreement with the Board and there is no matter relating to her resignation that needs to be brought to the attention of the Stock Exchange and/or the shareholders of the Company.

The Board further announces that, following the resignation of Ms. Mok, Mr. Lui Wing Yat Christopher (“**Mr. Lui**”) has been appointed as the Company Secretary, the Process Agent and the Authorised Representative, with effect from 31 October 2024.

The biographical details of Mr. Lui are set out as follows:

Mr. Lui is currently a senior manager of Company Secretarial Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. He has over 10 years of experience in the corporate secretarial field. He has been working for Tricor Services Limited since October 2011. He has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Mr. Lui is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (HKCGI) and The Chartered Governance Institute in the United Kingdom. Mr. Lui received his bachelor’s degree of science in economics and statistics from University College London in the United Kingdom in August 2011.

The Board wishes to take this opportunity to express its gratitude to Ms. Mok for her contribution during her tenure of office and express its warmest welcome to Mr. Lui for taking up the appointment.

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

Hong Kong, 31 October 2024

As at the date of this announcement, the executive Directors are Mr. HSU Shu-ping, Mr. CHANG Chen-kuen and Mr. LIN Seng-chang; the non-executive Directors are Mr. HSU Shu-tong (Chairman), Mr. LEE Kun-yen, Mr. CHEN Ruey-long and Ms. WU Ling-ling; the independent non-executive Directors are Mr. TSIM Tak-lung Dominic, Mr. WANG Wei and Dr. WANG Kuo-ming.