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## **ASIA CEMENT (CHINA) 2014 REVENUE INCREASED BY 12% TO APPROXIMATELY RMB8.2 BILLION**

Asia Cement (China) Holdings Corporation (“Asia Cement (China)” or the “Company”, stock code: 00743) together with its subsidiaries (collectively the “Group”) achieved a revenue of RMB8,193,700,000 in 2014, representing a year-on-year increase of approximately 12 per cent. In response to the decline in cement price, the Group exercised effective cost control to achieve stable earnings. The gross profit and gross profit margin were RMB1,911,400,000 and 23 per cent, representing a year-on-year increase of 18 per cent and 1 percentage point respectively. For the year ended 31 December 2014 (the “Year”), profit attributable to owners of the Company was RMB790,300,000 (2013: approximately RMB823,000,000). Basic earnings per share were RMB0.507 (2013: RMB0.529).

The Board of the Company recommends the payment of a final dividend of RMB0.15 per share for the year ended 31 December 2014 (2013: RMB0.15), representing a payout ratio of 30 per cent.

During the Year, the Group achieved aggregate sales of cement, clinker and slag powder of 29.98 million tonnes, representing a 12 per cent increase from that of 2013. The Group adopted proactive and flexible measures to cope with market competition. These measures included making timely adjustment to its sales strategies in accordance with market changes, focusing on the development of core markets, developing new markets with higher profitability, expanding the sales volume of high grade and bulk cement, and strengthening end-user management to further increase market share in its core markets. By geographical region, the Group sold a total of 22.93 million tonnes of cement, clinker and slag powder in central and downstream regions of Yangtze River, representing an increase of 7 per cent from that of 2013. The Group sold a total of 7.05 million tonnes of cement, clinker and slag powder in southwestern region, which was 33 per cent more than that of 2013.

In addition, the Group strengthened its production management by arranging repair and maintenance of various kilns during the Chinese New Year holiday and during the low season in July and August. As a result, the operation efficiency of each plant enhanced significantly. Meanwhile, Asia Cement (China) maintained its high environmental standards, gaining recognition from the government and specialized organisations. The

Group also continued to adhere to its sophisticated management.

In 2014, there was a slowdown in growth of domestic cement demand, leading to an intensified market competition. Cement price dropped from a higher level since the beginning of the year. Although a rebound was witnessed in September, recovery was weaker than last year. The government continued to restructure the cement industry through stringent control of new facilities development and acceleration of obsolete capacity elimination. Investment in the cement industry across the country continued to decline. Mergers and acquisitions by large enterprises had been increasing, leading to higher industry concentration. The industry was moving in a more healthy direction.

Following the inauguration of Jiangxi Yadong No. 6 kiln, which has a daily clinker capacity of 6,000 tonnes, at the beginning of 2014, the Group acquired the entire equity interest in Sichuan Lanfeng Cement Co., Ltd. (with an annual cement capacity of 5 million tonnes) in April. The aforesaid initiatives significantly improved the Group's market share in that region. The Group thus became the largest cement producer in Chengdu in terms of market share, with an aggregate annual production capacity reaching 35 million tonnes.

The Group's silo in Taizhou, which has a total storage capacity of 70,000 tonnes and annual cement intermediate storage capacity of 1.5 million tonnes, will commence operation in the first quarter of 2015. The completion of the silo in Taizhou will increase the cost-efficiency in supplying products to the downstream region of the Yangtze River, thereby improving the Group's competitiveness and ability to ensure sufficient supply. Meanwhile, Asia Cement (China) will take full advantage of the golden waterway along the Yangtze River and ship products with large vessels to reduce costs. It is planned that 6000-tonne river-sea vessels will be used to carry products to intermediate points and Shanghai and other coastal areas, while 35,000-50,000-tonne sea vessels will be used to transport products to overseas markets. These will create new distribution channels for the Group's marketing network. With the extensive experience in cement export in Taiwan, a loyal and stable customer base, together with the prevailing favourable export price, the Group's export to overseas markets in off season will not only effectively ease inventory pressure of different plants, but also create satisfactory economic benefits.

Looking into 2015, Mr Hsu Shu-tong, Chairman of Asia Cement (China), said: "Disparities between supply and demand in the cement industry will be further reduced. In 2014, the country eliminated obsolete production capacity of 81 million tonnes. It is expected that more than 50 million tonnes will be eliminated in 2015. With respect to new capacity, it is likely that there will not be any net increase. Besides, the central government will officially abolish 32.5 grade cement from December 2015, thereby accelerating the phase-out of substandard small grinding mills and increasing market concentration and hence further improving industry structure. The Ministry of Environmental Protection promulgated a series of new emission standards. Severe and stringent environmental protection law enforcement and rising environmental costs for cement enterprises will force certain enterprises out of the market. As the Company is principally engaged in the production and sale of premium high-grade cement, it will benefit greatly from the policies."

"China's economy has entered a stage of new normal. The growth rate of cement demand will remain low. The National Development and Reform Commission in 2014

approved infrastructure projects worth of more than RMB1.5 trillion in railway, highway and aviation industries, construction of which will commence or reach its peak in 2015. The Ministry of Housing and Urban-Rural Development has set a target for building 7 million units of affordable housing in 2015. The government will also focus on implementing the major strategies including “One Belt and One Road” as well as “Yangtze River Economic Belt”, and continue to carry out rural development and new urbanization. With the elimination of obsolete capacity and increase in cement demand, the demand and supply of cement is expected to be balanced in 2015,” added Mr Hsu.

Cement enterprises in various regions of the country carried out “off-peak season production scheme” during the Spring Festival period that lasted for two to four months. Such measure will help regulate the amount of cement available for sale. Mr Hsu said, “The market price in the first half of the year is likely to remain at a level same as that of the fourth quarter in 2014. The infrastructure projects will commence construction in the second quarter. This together with the policy on the abolishment of 32.5 grade cement will rejuvenate the market. As such, we expect that the market will present an upward tendency from the third quarter and reach a peak in the fourth quarter, and the overall market performance for the full year is likely to be relatively satisfactory.”

In 2015, the Group plans to sell an aggregate of over 33 million tonnes of cement, clinker and slag powder, representing a year-on-year increase of 10 per cent. The Group hopes to achieve a total capacity of 40 million tonnes in 2015, and the ultimate target of 50 million tonnes in 2016, and to become one of the top 10 cement groups in China.

### **About Asia Cement (China) Holdings Corporation**

Asia Cement (China) is one of the major leading cement producers in the central and downstream Yangtze River regions and southwestern region, with major markets in Jiangxi, Hubei, Sichuan, and Yangzhou. It has also extended its market reach to Shanghai, Zhejiang, Fujian and Hunan. The Company’s vertical integration spans from the excavation of principal raw materials, to production, sale and distribution of clinker and different types of cement and RMC products through a well-established road and riverway transportation network to its principal markets. The Company’s shares became listed on the main board of the Stock Exchange of Hong Kong Limited on 20 May 2008.

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