# TCC INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1136)**

# ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

## FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately HK$6,129.2 million for the six months ended 30 June 2017, representing an increase of 25.4% as compared to approximately HK$4,885.8 million in the same period last year.
- The profit attributable to owners of the Company for the six months ended 30 June 2017 was approximately HK$469.4 million, as opposed to loss attributable to owners of the Company approximately HK$156.1 million in the same period last year.
- The basic earnings per share attributable to owners of the Company amounted to approximately HK8.3 cents for the six months ended 30 June 2017, as opposed to basic loss per share approximately HK3.4 cents per share in the same period last year.
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2017.

## RESULTS

The board (the "Board") of directors (the "Directors") of TCC International Holdings Limited (the "Company") is pleased to announce the condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017, which are unaudited but have been reviewed by the audit committee of the Company, together with the unaudited comparative figures for the corresponding period in 2016, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2017** | 2016 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited) |
| Revenue | *3* | **6,129,183** | 4,885,814 |
| Cost of sales | | **(4,765,779)** | (4,119,376) |
| Gross profit | | **1,363,404** | 766,438 |
| Investment income | | **23,388** | 30,519 |
| Other income, gains and losses | | **9,477** | (95,416) |
| Selling and distribution expenses | | **(285,519)** | (313,249) |
| General and administrative expenses | | **(423,342)** | (439,326) |
| Finance costs | *4* | **(135,720)** | (131,018) |
| | | **551,688** | (182,052) |
| Share of profits of associates | | **136,870** | 61,849 |
| Share of loss of a joint venture | | **–** | (138) |
| Profit (loss) before tax | *5* | **688,558** | (120,341) |
| Income tax expense | *6* | **(206,685)** | (32,102) |
| Profit (loss) for the period | | **481,873** | (152,443) |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

| | Note | Six months ended 30 June 2017 HK$'000 (Unaudited) | 2016 HK$'000 (Unaudited) |
|---|---|---|---|
| Other comprehensive income (expense), net of income tax | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Exchange differences arising on translation to presentation currency | | **697,329** | (415,529) |
| Share of other comprehensive income of associates | | **2,594** | 47 |
| Other comprehensive income (expense) for the period, net of income tax | | **699,923** | (415,482) |
| Total comprehensive income (expense) for the period | | **1,181,796** | (567,925) |
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | **469,357** | (156,093) |
| Non-controlling interests | | **12,516** | 3,650 |
| | | **481,873** | (152,443) |
| Total comprehensive income (expense) attributable to: | | | |
| Owners of the Company | | **1,163,162** | (566,163) |
| Non-controlling interests | | **18,634** | (1,762) |
| | | **1,181,796** | (567,925) |
| | | **2017** | 2016 |
| Earnings (loss) per share | *7* | | |
| – Basic | | **HK8.3 cents** | HK(3.4) cents |
| – Diluted | | **HK8.3 cents** | HK(3.4) cents |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | **30 June 2017** *HK$'000* **(Unaudited)** | 31 December 2016 *HK$'000* (Audited) |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | **14,904,562** | 15,009,306 |
| Prepaid lease payments | | **1,833,717** | 1,794,820 |
| Intangible assets | | **3,513,538** | 3,424,323 |
| Mining rights | | **414,963** | 420,741 |
| Interests in associates | | **1,549,895** | 1,416,528 |
| Interest in a joint venture | | **–** | – |
| Other financial assets | | **6,407** | 20,041 |
| Deposits paid for acquisition of property, plant and equipment and other assets | | **435,088** | 421,704 |
| Available-for-sale investments | | **37,067** | 34,453 |
| Pledged bank deposits | | **16,289** | 15,834 |
| Deferred tax assets | | **120,032** | 114,455 |
| | | **22,831,558** | 22,672,205 |
| Current assets | | | |
| Inventories | | **1,180,743** | 1,175,793 |
| Prepaid lease payments | | **57,075** | 55,587 |
| Prepayments, deposits and other receivables | | **862,299** | 713,475 |
| Trade receivables | *9* | **3,287,377** | 2,874,063 |
| Tax recoverables | | **20,177** | 20,851 |
| Held-for-trading investments | | **47,263** | 38,193 |
| Derivative financial instruments | | **–** | 396 |
| Restricted bank deposits | | **70,154** | 68,826 |
| Pledged bank deposits | | **1,497** | 1,457 |
| Time deposits | | **74,750** | 83,159 |
| Cash and bank balances | | **4,033,264** | 4,172,477 |
| | | **9,634,599** | 9,204,277 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

| | Note | **30 June 2017** | 31 December 2016 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Audited) |
| Current liabilities | | | |
| Trade payables | *10* | **1,149,626** | 1,136,922 |
| Other payables and accrued liabilities | | **1,460,395** | 1,437,130 |
| Tax payables | | **110,883** | 112,263 |
| Bank loans | | **2,094,273** | 2,295,456 |
| | | **4,815,177** | 4,981,771 |
| Net current assets | | **4,819,422** | 4,222,506 |
| Total assets less current liabilities | | **27,650,980** | 26,894,711 |
| Non-current liabilities | | | |
| Deferred income – government grants | | **14,881** | 14,783 |
| Bank loans | | **6,437,000** | 7,122,800 |
| Amount due to immediate holding company | | **936,000** | 620,800 |
| Deferred tax liabilities | | **354,493** | 343,029 |
| | | **7,742,374** | 8,101,412 |
| | | **19,908,606** | 18,793,299 |
| Capital and reserves | | | |
| Share capital – ordinary shares | | **494,347** | 494,347 |
| Share capital – non-redeemable convertible preference shares | | **49,433** | 49,433 |
| Reserves | | **19,101,749** | 18,005,076 |
| Equity attributable to owners of the Company | | **19,645,529** | 18,548,856 |
| Non-controlling interests | | **263,077** | 244,443 |
| | | **19,908,606** | 18,793,299 |

*Notes:*

1. **Basis of Preparation**

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 revalued amounts or fair values, as appropriate.

The accounting policies and methods of computation used in preparing the condensed consolidated financial statements for the six months ended 30 June 2017 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| Amendments to HKAS 7 | Disclosure initiative |
| Amendments to HKAS 12 | Recognition of deferred tax assets for unrealised losses |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2014-2016 cycle relating to the amendments to HKFRS 12 |

The application of above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures.

3. **Segment Information**

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Summary details of the reportable segments are as follows:

(i) the import, distribution and handling of cement segment which is the import, distribution and handling of cement in Hong Kong;

3. **Segment Information (Continued)**

(ii) the manufacture and distribution of cement, clinker, concrete and other cement related products segment which is the manufacture and distribution of cement, clinker, concrete and other cement related products in the People's Republic of China (the "PRC"); and

(iii) the investment holding segment which is the investments in listed and unlisted equity securities and management of exchange rate exposure through currency derivatives.

***Segment revenue and results***

The following table presents revenue and results by reportable segments.

For the six months ended 30 June (unaudited)

| | Import, distribution and handling of cement | | Manufacture and distribution of cement, clinker, concrete and other cement related products | | Investment holding | | Elimination | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Segment revenue | | | | | | | | | | |
| Sales to external customers | **148,899** | 194,722 | **5,980,284** | 4,691,092 | **–** | – | **–** | – | **6,129,183** | 4,885,814 |
| Inter-segment sales | **–** | – | **33,298** | 29,398 | **–** | – | **(33,298)** | (29,398) | **–** | – |
| | **148,899** | 194,722 | **6,013,582** | 4,720,490 | **–** | – | **(33,298)** | (29,398) | **6,129,183** | 4,885,814 |
| Segment profit (loss) | **23,372** | 36,061 | **732,869** | 12,744 | **3,779** | (9,691) | **–** | – | **760,020** | 39,114 |
| Unallocated central administration costs | | | | | | | | | **(65,484)** | (67,258) |
| Unallocated other income, gains and losses | | | | | | | | | **(7,128)** | (22,890) |
| | | | | | | | | | **687,408** | (51,034) |
| Finance costs | | | | | | | | | **(135,720)** | (131,018) |
| Share of profits of associates | | | | | | | | | **136,870** | 61,849 |
| Share of loss of a joint venture | | | | | | | | | **–** | (138) |
| Profit (loss) before tax | | | | | | | | | **688,558** | (120,341) |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs (including Directors' salaries), certain other income, gains and losses, finance costs, share of profits of associates and share of loss of a joint venture. This is the measure reported to the executive Directors, being the chief operating decision makers, for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market prices.

The Group has no customers that contributed over 10% of the total revenue of the Group for both periods.

No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the executive Directors for review.

## 4. Finance Costs

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest on: | | |
| Bank loans | **128,309** | 121,530 |
| Loan from immediate holding company | **7,411** | 9,488 |
| Total borrowing costs | **135,720** | 131,018 |

## 5. Profit (Loss) Before Tax

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Profit (loss) before tax has been arrived at after charging (crediting) the following: | | |
| Depreciation of property, plant and equipment | **563,530** | 602,611 |
| Amortisation of prepaid lease payments | **29,231** | 30,356 |
| Amortisation of intangible assets | **9,298** | 9,840 |
| Amortisation of mining rights | **16,737** | 21,119 |
| Allowance for doubtful debts of trade receivables | **1,204** | 27,940 |
| Change in fair value of held-for-trading investments | **(9,070)** | 3,033 |
| Net (reversal of impairment loss) impairment loss of inventories | **(98)** | 5,848 |
| Net (reversal of impairment loss) impairment loss recognised in respect of loan and other receivables | **(85,034)** | 11,900 |
| Net exchange loss | **32,542** | 114,500 |

## 6. Income Tax Expense

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Current tax: | | |
| Hong Kong | **3,950** | 5,910 |
| PRC Enterprise Income Tax | **196,975** | 45,959 |
| Withholding tax | **78** | – |
| | **201,003** | 51,869 |
| Under (over) provision in prior years: | | |
| PRC Enterprise Income Tax | **4,050** | (2,743) |
| Deferred tax | **1,632** | (17,024) |
| | **206,685** | 32,102 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. Taxation arising in the PRC is calculated at the rates prevailing in the relevant regions in the PRC.

## 7. Earnings (Loss) Per Share

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

***Earnings (loss) for the purposes of basic and diluted earnings (loss) per share***

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Profit (loss) for the period attributable to owners of the Company | **469,357** | (156,093) |
| *Less:* Preferred distribution in respect of convertible preference shares | **(12,111)** | (12,111) |
| Undistributed earnings attributed to convertible preference shareholders | **(44,989)** | – |
| Profit (loss) for the period attributable to ordinary shareholders of the Company | **412,257** | (168,204) |

***Number of shares***

| | **30 June 2017** | 30 June 2016 |
|---|---|---|
| | ***'000*** | *'000* |
| | **(Unaudited)** | (Unaudited) |
| Weighted average number of ordinary shares in issue for the purposes of basic and diluted earnings (loss) per share | **4,943,465** | 4,943,465 |

The computation of diluted earnings (loss) per share does not assume the conversion of the outstanding convertible preference shares because their exercise would result in an increase in earnings per share for the six months ended 30 June 2017 or a decrease in loss per share for the six months ended 30 June 2016.

## 8. Dividends

The 2016 final dividend of HK1.0 cent (2015: HK2.0 cents) per ordinary share and preference share, totalling approximately HK$54,378,000 (2015: HK$108,756,000) was recognised as distribution during the period ended 30 June 2017. The 2017 preferred distribution payable to convertible preference shareholders totalling approximately HK$12,111,000 (2016: HK$12,111,000) was also recognised as distribution during the period ended 30 June 2017.

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2017 (2016: Nil).

## 9. Trade Receivables

| | **30 June 2017** *HK$'000* **(Unaudited)** | 31 December 2016 *HK$'000* (Audited) |
|---|---|---|
| Trade receivables from outsiders | **3,369,333** | 2,954,194 |
| Trade receivable from an associate | **17,885** | 14,588 |
| Trade receivable from a related party | **7,477** | 8,605 |
| *Less:* Allowance for doubtful debts | **(107,318)** | (103,324) |
| | **3,287,377** | 2,874,063 |

The Group's policy is to allow a credit period of 90-180 days to its trade customers (including the associate and related party). The following is an aged analysis of trade receivables, net of allowance for doubtful debts, based on the invoice date at the end of the reporting period:

| | **30 June 2017** *HK$'000* **(Unaudited)** | 31 December 2016 *HK$'000* (Audited) |
|---|---|---|
| 0 – 90 days | **2,151,720** | 1,594,477 |
| 91 – 180 days | **1,100,957** | 1,209,804 |
| 181 – 365 days | **34,700** | 69,782 |
| | **3,287,377** | 2,874,063 |

At the end of the reporting period, trade receivables of approximately HK$24,335,000 (31 December 2016: HK$66,478,000) which have been aged over 180 days and past due as at the end of the reporting period for which the Group has not provided for impairment loss because management is of the opinion that the fundamental credit quality of these customers has not deteriorated. Hence, there is no expectation of significant recoverability problem. The Group does not hold any collateral over these balances.

## 10. Trade Payables

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Trade payables to outsiders | **1,104,543** | 1,083,880 |
| Trade payable to ultimate holding company | **–** | 5,308 |
| Trade payables to fellow subsidiaries | **42,597** | 47,734 |
| Trade payable to an associate | **2,486** | – |
| | **1,149,626** | 1,136,922 |

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

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| 0 – 90 days | **1,011,940** | 1,039,232 |
| 91 – 180 days | **66,731** | 5,314 |
| 181 – 365 days | **23,470** | 12,530 |
| Over 365 days | **47,485** | 79,846 |
| | **1,149,626** | 1,136,922 |

The trade balances due to ultimate holding company, fellow subsidiaries and the associate are unsecured, interest-free and repayable in accordance with normal trading terms.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Overview

The State government's continuous but rational commitment to infrastructure investment and steady development of the domestic economy continued to drive Mainland China's GDP growth, which stood at 6.9 percent during the first six months of the year 2017.

Mainland China's cement market during the first half of 2017 displayed healthy development with strong average selling price ("ASP") supported by stable demand. Fixed asset investment of the country during the six-month period increased by 8.6 per cent year-on-year. Investment in property development reported a 8.5 per cent upsurge year-on-year, despite the general concern of the State government's intensified austerity measures.

The country's cement output in the first half of 2017 was roughly the same as that of the same period in the previous year and amounted to approximately 1,110 million metric tons. The effective implementation of production suspension during off-peak season and limited supply of new capacity served to support the improvement in cement selling price since March this year. Cement ASP only began to be mildly adjusted in June, upon the arrival of the rainy season. The sector's earnings for the first half of the year amounted to RMB33.4 billion, which exceeded the industry's 2015 full year earnings.

### Operation Review

The Group reported a sales volume of 24.5 million metric tons for the six months ended 30 June 2017, maintaining the same level as that of the previous year. The Group's cement ASP began to take off after the Chinese New Year holidays and continued to grow to its peak in May 2017. This was a result of healthy demand and effective control of supply among major manufacturers, particularly in the Group's operations in the Southern region.

For the six months ended 30 June 2017, the Group reported a revenue of HK$6,129.2 million, up by approximately 25 per cent from that of the previous year. Benefitting from strong product ASP, the Group enjoyed favourable surge in both gross profit and gross profit margin which stood at HK$1,363.4 million and 22.2 per cent, respectively for the period under review.

The Group reported a profit attributable to owners of the Company of HK$469.4 million, as opposed to a loss of HK$156.1 million in the corresponding period in the previous year. The turnaround in performance was mainly attributable to strong product ASP and improvement in the balance of supply and demand in certain regions where the Group had a presence. In addition, the Group had substantially reduced its US-dollar-denominated loan during the second half of 2016, thus freeing it from foreign exchange exposure, one of the reasons for its loss in the corresponding period in 2016.

In Mainland China, the Group operated 32 clinker production lines and was equipped with 59 cement grinding mills with overall clinker and cement capacities of 48.4 million metric tons and 58.6 million metric tons respectively as at the end of the period under review.

**Southern Region**

Sales volume of the Group's Southern region operations reached 11.7 million metric tons during the period under review and was approximately 1.7 per cent higher than that of the corresponding period in the previous year. The Group's plants in Guangdong and Guangxi provinces reported sales volumes of 7.3 million metric tons (excluding 86,928 metric tons of clinker shipped to Fuzhou) and 4.4 million metric tons (excluding 133,857 metric tons of intercompany sales to Fuzhou), respectively.

The Southern region remained the Group's most significant regional operations contributing 48.0 per cent of the total sales volume of the Group in the half-year period. Although the region's sales volume reported a modest low single digit growth year-on-year, strong cement ASP resulting from effective coordination among key players and healthy demand supported a strong cement ASP and contributed to a handsome operating profit for the Group's Southern region operations.

Since the top three cement producers in the Southern region commanded half of the market's share, effective coordination among these players resulted in more disciplined control of output. New construction of residential and commercial properties and massive transportation-related infrastructure development in the Pearl River Delta continued to fuel strong demand during the six-month period.

Although product ASP in Guangxi was slightly lower than that in Guangdong, robust demand from the private sector in the province consumed up to 60 per cent output from the Group's Guigang plant in the province during the half-year period, with the balance of the plant's production being directed to satisfy Guangdong province's heavy consumption.

**Southwestern Region**

Dictated by the geographical nature of the region, coordination among cement manufacturers was impracticable. The region comprises Sichuan province, Chongqing municipality, Guizhou province and Hunan province. ASPs of the Group's plants in the region displayed noticeable improvement year on year, as such the region reported a favourable operating profit due to the aforesaid reason and effective efficiency enhancement during the reporting period.

Performance of the Group's plants in the region varied from location to location. With the presence of a number of larger manufacturers in Sichuan without any single player commanding an indisputable dominance, the province remained highly competitive. Chongqing municipality, given its proximity to Sichuan, was also under the impact of excess supply. As the Group's plants in these two areas had been fully run-in and enjoyed an average of 21 per cent surge in ASP year on year, the plants managed to resume profitability as compared to losses incurred in the corresponding period in the previous year.

In Guizhou, the Group's operations reported a strong performance with favourable gross profit per metric ton due to high demand and close to 40 per cent improvement in ASP.

The Group's performance with respect to the Hunan plant was adversely affected by the province's high level of inventory. Lowered output due to periodical production suspension continued to keep the plant in red during the period under review. However, the loss had been significantly narrowed from that of 2016 interim period as a result of improved ASP and enhanced operation efficiency.

The region reported a sales volume of 9.4 million metric tons, same as that of the corresponding period in the previous year. The Group's production lines in Chongqing municipality and Sichuan province together generated a sales volume of 4.9 million metric tons. The Group's Hunan plants reported a sales volume of 1.3 million metric tons. The aggregate sales volume of the Group's Guizhou plants amounted to 3.2 million metric tons during the period.

The Group's urban waste treatment project in Anshun Guizhou province processed 16,604 metric tons of household wastes during the reporting period. The processed volume was about half of that of the corresponding period in the previous year, as operation of the Anshun plant's kiln was suspended in the second quarter of the year for revamping. The Group has been exploring opportunities to apply its mature waste treatment technologies to its other facilities in collaboration with local governments.

**Eastern Region**

During the reporting period, the Group's operations in the region reported a sales volume of 2.2 million metric tons, slightly lower than that of the corresponding period in the previous year. Stable demand and effective maintenance of market discipline had contributed to strong ASP in the region. Temporary production suspension under government direction during the period served to further lower inventory in the region and supported healthy sales for the Group's Jurong plant.

Fuzhou plant continued to suffer a loss during the half-year period, due to its reliance on the relatively expensive clinker supply from the Group's Southern region operations.

**Northeastern Region**

The Group's Liaoning plant reported a sales volume of approximately 468,000 metric tons, representing a 11.4 per cent upsurge year-on-year. ASP had been strong in the Northeastern region due to production suspension during the long winter of the region. However, given the fact that the Group had only one production line, with relatively small output, in the region, contribution from the Liaoning plant had been insignificant.

**Hong Kong**

The Group's operations in Hong Kong generated a sales volume of approximately 244,000 metric tons. The Group's sales volume in the territory continued to retreat as tender prices for construction projects were pressurised by intensified competition.

### Others

The Group's two slag powder non-wholly owned subsidiaries in Anhui and Guangxi provinces together generated a sales volume of 476,000 metric tons.

### Other significant investments held

A net increase in fair value of approximately HK$9.1 million (30 June 2016: decrease of HK$3.0 million) was recognised for held-for-trading investments upon stating them at market prices as at 30 June 2017. As at 30 June 2017, the carrying amount of held-for-trading investments was approximately HK$47.3 million (31 December 2016: HK$38.2 million).

### Liquidity, financial resources, capital structure and net gearing ratio

The Group adopts prudent treasury policies in managing cash resources and bank borrowings.

The current ratio of the Group as at 30 June 2017 is as follows:

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Current assets | **9,634,599** | 9,204,277 |
| Current liabilities | **4,815,177** | 4,981,771 |
| Current ratio | **2.00** | 1.85 |

The Group's current ratio as at 30 June 2017 was 2.00 (31 December 2016: 1.85). The improvement of the current ratio as at 30 June 2017 was attributable to the effective financial management of the Group. The liquidity position is still maintained at a healthy level.

Total cash and bank balances of the Group as at 30 June 2017 amounted to HK$4,196.0 million (31 December 2016: HK$4,341.8 million), including time deposits, pledged bank deposits and restricted bank deposits of HK$74.8 million, HK$17.8 million and HK$70.2 million (31 December 2016: HK$83.2 million, HK$17.3 million and HK$68.8 million), respectively. Highly liquid short term investments, classified as held-for-trading investments, with a market value of HK$47.3 million as at 30 June 2017 (31 December 2016: HK$38.2 million), were also held by the Group.

The maturity profile of the Group's bank loans as at 30 June 2017 are repayable as follows:

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Within one year | **2,094,273** | 2,295,456 |
| More than one year but not exceeding two years | **1,289,000** | 1,458,000 |
| More than two years but not exceeding five years | **5,148,000** | 5,664,800 |
| Total bank loans | **8,531,273** | 9,418,256 |

There was no material effect of seasonality on the Group's borrowing requirement. As at 30 June 2017, HK$180.0 million of the bank loans was denominated in HK$, HK$6,903.0 million in US$ and HK$1,448.3 million in RMB. All of the bank loans are of floating rate structures.

The net gearing ratio of the Group as at 30 June 2017 is as follows:

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Total bank loans | **8,531,273** | 9,418,256 |
| *Less:* Cash and bank balances, time deposits, pledged bank deposits and restricted bank deposits | **(4,195,954)** | (4,341,753) |
| Net borrowings | **4,335,319** | 5,076,503 |
| Equity attributable to owners of the Company | **19,645,529** | 18,548,856 |
| Net gearing ratio | **22.1%** | 27.4% |

As at 30 June 2017, the Group's net gearing ratio, which was calculated as the ratio of net borrowings divided by equity attributable to owners of the Company, was 22.1% (31 December 2016: 27.4%). The change in the Group's net gearing ratio was mainly attributable to the significant decrease in net borrowings due to the substantial net repayments of bank loans during the period under review. The net gearing ratio as at 30 June 2017 maintained at a healthy level.

**Significant investments, material acquisitions or disposals**

During the period under review, the Group acquired property, plant and equipment and prepaid lease payments of approximately HK$79.5 million and HK$16.5 million, respectively.

Save for aforesaid, the Group had no other significant investments, material acquisitions or disposals.

**Fund raising activities**

On 1 June 2015, the Company announced a fully underwritten one-for-two rights issue of 1,647,821,617 ordinary shares at the issue price of HK$2.20 per share. The rights issue became unconditional on 9 July 2015 and net proceeds of approximately HK$3,608.1 million were raised by the Company, which were applied towards the intended use of funding as stated in the circular to the shareholders of the Company dated 22 June 2015.

**Use of proceeds**

As stated in the circular to the shareholders of the Company dated 22 June 2015, the Group had plans to use the proceeds obtained from the rights issue. The proceeds have been partially utilised. The residual balances to be used as at 1 January 2017 and 30 June 2017 are as follows:

| | | **Residual balances to be used as at 1 January 2017 and 30 June 2017** |
|---|---|---|
| | | *HK$ million* |
| (i) | Repayment of some of the bank borrowings of the Group | – |
| (ii) | Finance commitments under previously agreed acquisitions and any future acquisitions | 531.8 |
| (iii) | General working capital | – |
| | | 531.8 |

**Charge on assets**

As at 30 June 2017, bank deposits amounting to HK$17.8 million have been pledged by the Group as a performance guarantee in relation to certain mining contracts.

**Foreign currency exposures**

The Group's sales and purchases during the reporting period were mostly denominated in RMB. However, most of the Group's bank borrowings were denominated in currencies other than RMB.

RMB is not a freely convertible currency. Future exchange rates of 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 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 the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In addition, the Group entered into short-term forward foreign exchange contracts (less than 3 months) for hedging purpose. The Group utilises a variety of forward foreign exchange contracts to hedge its exposure to foreign currencies on a regular basis.

No foreign exchange contracts were outstanding as at 30 June 2017.

**Major capital commitments**

As at 30 June 2017, the Group's capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the condensed consolidated interim financial statements amounted to approximately HK$579.6 million. The Group anticipates funding those commitments from its internal resources and bank borrowings.

### Contingent liabilities

As at 30 June 2017, the Group provided a corporate guarantee jointly with other shareholders of an associate to a bank in respect of banking facilities granted to that associate in aggregate amounted to RMB630,000,000 (equivalent to approximately HK$724,500,000) of which RMB230,000,000 (equivalent to approximately HK$264,500,000) has been utilised by the associate. Pursuant to the corporate guarantee agreement, the Group has provided the guarantee amount proportioned to its equity interest in the associate, which represents RMB69,000,000 (equivalent to approximately HK$79,350,000).

Save as disclosed above, the Group had no other material contingent liabilities as at the end of the reporting period.

### Employees

As at 30 June 2017, the Group had 9,528 full-time employees. Total expenses in wages and salaries of the Group for the period ended 30 June 2017 amounted to HK$376.0 million. The Group ensures that the pay levels of its employees are competitive and in line with market trend and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. In addition, the Directors may invite employees, including executive Directors (in which case approval of independent non-executive Directors is required), of the Company or any of its subsidiaries and associates to take up options to subscribe for shares of the Company. During the period, no share options were granted to Directors or employees.

## PROSPECTS

According to Digital Cement, full-year cement demand for 2017 is expected to be roughly the same as that of the previous year and will be approximately 2.4 billion metric tons. Domestic cement demand remained at the same level since 2013, suggesting that the country's cement product has reached its consumption plateau. Stringent restriction on the development of new facilities is necessary to suppress capacity. Under the "Cement Industry 13th Five-year Plan Development Scheme" published in June 2017 by the China Cement Association, 400 million metric tons of excess clinker capacity are scheduled to be phased out by 2020.

Cement ASP began to soften in June 2017, due to the approaching rainy season and hot summer. To reduce the pressure from the imbalance in supply and demand and to meet the State's pollution control requirements, cement plants in many parts of Mainland China are subject to production restrictions from June to August during the summer months. The measure is expected to result in lower overall inventory and to support a strong ASP rebound in the fourth quarter this year with the arrival of the industry's peak season.

The State government's commitment in intensified inter-city road connections, sewage treatment and sponge city development will continue to drive cement demand in the second half of the year.

On the other hand, despite strong demand from the property sector during the first half of the year, there are signs of slowing down in the sector's development, evidenced by significant reduction in July 2017 sales of most major players when compared with those of June 2017.

Impact of the State's tightened austerity measures will become more visible in the property market in the second half of the year. Demand for cement from building construction is, therefore, likely to be affected.

The Group's Southern and Eastern operations are expected to continue to enjoy healthy ASP due to better peer coordination in output control. Demand in these two regions will remain strong with heavy consumption from urban facility and property development. Certain of the Group's plants in the Southwestern region are subject to production suspension during summer. Reduction in inventory in this region is likely to help stabilise product ASP.

The Group has already obtained the license for the development of a clinker and cement production line of 2 million metric tons in Shaoguan, Guangdong province. Construction of the plant will commence in the fourth quarter this year and is scheduled for completion by the end of 2018. The Group is also planning to set up its second waste treatment plant in Shaoguan, signifying a step forward in realising the Group's plan to establish a network of eco-solution projects alongside its existing cement facilities.

Given the expected improvement in the balance of supply and demand resulting from better orchestrated output control and the State's continued commitment in infrastructure development, the Group is cautiously optimistic about its full year's performance. The Group will also maintain its vigilance to check operational risks such as rising coal prices and probable volatility in demand from the property sector.

## INTERIM DIVIDEND

The Board does not declare the payment of interim dividend for the six months ended 30 June 2017.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

## CORPORATE GOVERNANCE CODE

The Company recognises the value and importance of achieving good corporate governance standards to enhance corporate performance, sound internal control, transparency and accountability to the shareholders. The Board and the management of the Company are committed to adhere to the principles of corporate governance and adopt good corporate governance practices and procedures to meet the legal and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all shareholders.

Save as disclosed below, the Company has complied with all code provisions in the Corporate Governance Code (the "CG Code") as set out in the Appendix 14 to the Listing Rules on the Stock Exchange throughout the six months ended 30 June 2017. In respect of code provisions A.4.1 and D.1.4 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election, and directors should have formal letters of appointment. The non-executive Directors are not appointed for a specific term and all Directors do not have formal letters of appointment but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association, and their appointment will be reviewed when they are due for re-election.

## CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions and dealings (the "Code of Conduct") based on the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. The terms of the Code of Conduct are no less exacting than the standards in the Model Code, and the Code of Conduct applies to all the relevant persons as defined in the Model Code, including the Directors, any employee of the Company, or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, are likely to be in possession of unpublished inside information in relation to the Company or its securities. Having made specific enquiry, all Directors confirmed that they had complied with the required standard set out in the Model Code and the Code of Conduct throughout the period ended 30 June 2017.

## AUDIT COMMITTEE

The Company's Audit Committee was established in 1999 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code. The Audit Committee comprises three independent non-executive Directors and a non-executive Director. The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management the internal control and financial reporting matters. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the Company's website at www.tcchk.com. The interim report for the six months ended 30 June 2017 of the Company will be dispatched to shareholders and published on the aforesaid websites in due course.

## ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express our sincere gratitude to our shareholders for their support and to our staff for their commitment and hard work during the period.

On behalf of the Board
**TCC International Holdings Limited**
**Chang, An-Ping, Nelson**
*Chairman and Executive Director*

Hong Kong, 11 August 2017

*As at the date of this announcement, the board of directors of the Company comprises Mr. Chang, An-Ping, Nelson as the Chairman and an executive Director; Mr. Koo, Jason Kung Yi as the Managing Director and an executive Director; Dr. Shan Weijian, Mr. Chang, Kang-Lung, Jason, Ms. Wang, Lishin, Elizabeth and Ms. Wang, Chi-May as non-executive Directors; and Dr. Liao Poon Huai, Donald, Dr. Chih Ching Kang, Kenneth and Mr. Shieh, Jen-Chung, Roger as independent non-executive Directors.*