Contents

(I) Definitions

In this interim report, unless the context otherwise requires, the following words and expressions have the following meanings:

"Company" or "China Shanshui" or "Shanshui Cement"	China Shanshui Cement Group Limited
"Group" or "China Shanshui Group"	the Company and its subsidiaries
"Financial Statements"	the consolidated financial statements of the Group
"Reporting Period"	the period from 1 January 2020 to 30 June 2020
"Board"	the Board of Directors of the Company
"Director(s)"	the Directors of the Company
"China Shanshui (HK)"	China Shanshui Cement Group (Hong Kong) Company Limited
"Pioneer Cement"	China Pioneer Cement (Hong Kong) Company Limited
"Continental Cement"	Continental Cement Corporation
"American Shanshui"	American Shanshui Development Inc.
"Shandong Shanshui"	Shandong Shanshui Cement Group Company Limited
"ACC"	Asia Cement Corporation
"CNBM"	China National Building Material Company Limited
"CSI"	China Shanshui Investment Company Limited
"Tianrui Group"	Tianrui Group Company Limited
"Shandong Region"	business covered by Eastern Shandong Operating Region, Western Shandong Operating Region and Southern Shandong Operating Region
"Eastern Shandong Operating Region"	business located in Eastern Shandong Province, including Weifang, Qingdao, Yantai and Weihai, etc
"Western Shandong Operating Region"	business located in Central and Western Shandong Province, including Zibo, Jinan and Hebei Province and Tianjin, etc

(I) Definitions (Continued)

"Southern Shandong Operating Region"	business located in Southern Shandong Province, including Zaozhuang, Jining, Heze and Henan Province, etc
"Northeast China Operating Region"	business located in Liaoning Province, the Eastern Inner Mongolia and Jilin Province, etc
"Shanxi Operating Region"	business located in Shanxi Province and Shaanxi Province, etc
"Xinjiang Operating Region"	business located in Kashi, Xinjiang
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"SFO"	Securities and Futures Ordinance (Cap. 571) (as amended, supplemented or otherwise modified from time to time)
"Shares"	the ordinary shares in the share capital of the Company with a nominal value of US$0.01 each
"Shareholder(s)"	holder(s) of the Share(s)
"Articles of Association"	the amended and restated memorandum and articles of association of the Company adopted on 30 May 2019
"YOY"	year on year comparison
"Clinker"	a semi-finished product in the cement production process
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"RMB"	Renminbi, the lawful currency of the PRC, which is the currency unit used in this report, unless otherwise specified
"PRC"	The People's Republic of China

(II) Corporate Information

1. BOARD OF DIRECTORS AND BOARD COMMITTEES

Executive Directors

Mr. CHANG Zhangli *(Chairman)*
Ms. WU Ling-ling

Independent Non-Executive Directors

Mr. CHANG Ming-cheng
Mr. LI Jianwei
Mr. HSU You-yuan

Audit Committee

Mr. CHANG Ming-cheng *(Chairman)*
Mr. LI Jianwei
Mr. HSU You-yuan

Remuneration Committee

Mr. LI Jianwei *(Chairman)*
Mr. CHANG Ming-cheng
Mr. HSU You-yuan

Executive Committee

Mr. CHANG Zhangli *(Chairman)*
Ms. WU Ling-ling

Nomination Committee

Mr. CHANG Zhangli *(Chairman)*
Ms. WU Ling-ling
Mr. CHANG Ming-cheng
Mr. LI Jianwei
Mr. HSU You-yuan

2. BASIC CORPORATE INFORMATION

(1)	Official Chinese name of the Company	:	中國山水水泥集團有限公司
	Official English name of the Company	:	China Shanshui Cement Group Limited
	Abbreviation in English	:	CSC
(2)	Registered Office	:	Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands
(3)	Principal Place of Business in China	:	Shanshui Industrial Park, Gushan Town, Changqing District, Jinan, Shandong, PRC
	Principal Place of Business in Hong Kong	:	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
(4)	Website	:	www.sdsunnsygroup.com
(5)	Authorised Representatives	:	CHANG Zhangli and WU Ling-ling
(6)	Company Secretary	:	LEE Mei Yi
(7)	Listing Date	:	4 July 2008
(8)	Exchange on which the Company's shares are listed	:	The Stock Exchange
(9)	Stock code	:	00691
(10)	Stock Short Name	:	Shanshui Cement
(11)	Hong Kong Share Registrar and Transfer Office	:	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
(12)	Legal Adviser as to Hong Kong law	:	Freshfields Bruckhaus Deringer
(13)	Auditor	:	Moore Stephens CPA Limited

(III) Key Data

1. KEY FINANCIAL DATA

(Unit: RMB'000)

	January to June 2020	January to June 2019
Revenue	**8,746,831**	9,440,723
Gross profit	**3,021,844**	3,281,588
Gross profit margin	**34.5%**	34.8%
Profit from operations	**1,959,039**	1,938,564
Profit margin from operations	**22.4%**	20.5%
EBITDA	**2,714,038**	2,685,181
EBITDA margin	**31.0%**	28.4%
Profit for the period	**1,324,054**	1,205,641
Profit attributable to equity shareholders of the Company	**1,296,631**	1,196,369
Basic earnings per share *(RMB) (Note)*	**0.30**	0.27
Net cash generated from operating activities	**1,602,221**	1,642,319

Note: Basic earnings per share is calculated based on the profit attributable to equity shareholders of the Company for each period and the weighted average number of Shares of 4,353,966,228 shares.

	30 June 2020	31 December 2019
Total assets	**27,784,362**	26,827,805
Total liabilities	**13,875,850**	14,227,366
Equity attributable to equity shareholders of the Company	**13,777,850**	12,497,200
Net gearing ratio *(Note)*	**20.7%**	27.6%

Note: Net gearing ratio = (net debts/(net debts + total equity))

2. KEY BUSINESS DATA

	January to June 2020	January to June 2019
Sales volume of cement *('000 tonnes)*	**20,590**	20,373
Sales volume of clinker *('000 tonnes)*	**3,698**	3,559
Sales volume of concrete *('000 m^3)*	**1,284**	1,504
Unit selling price of cement *(RMB/tonne)*	**341.0**	371.4
Unit selling price of clinker *(RMB/tonne)*	**258.1**	276.4
Unit selling price of concrete *(RMB/m^3)*	**472.3**	499.0

(IV) Management Discussion and Analysis

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW

In the first half of 2020, China's GDP was RMB45,661.4 billion. By quarters, in the first quarter, a YOY decrease of 6.8% was recorded, while in the second quarter, a YOY growth of 3.2% was recorded. During the second quarter, the GDP growth rate turned to be a positive 3.2% from a previous negative one, which was better than market expectation. In June, economic indicators improved significantly: the added value of industrial enterprises above designated size increased for three consecutive months, the growth rate of total retail sales of consumer products and fixed assets investment continued to decline at a slower pace, the unemployment rate in urban areas decreased slightly, and the real income of residents declined at a slower rate. China's fixed assets investment (excluding rural households) amounted to RMB28,160.3 billion, representing a YOY decrease of 3.1%, while infrastructure investment (excluding power, heat, gas and water production and supply sectors) recorded a YOY decrease of 2.7%, among which, the investment in water conservancy increased by 0.4%; the investment in public facilities management decreased by 6.2%; the investment in road transportation and railway transportation increased by 0.8% and 2.6%, respectively. **(Source: National Bureau of Statistics of China)**

In the first half of 2020, China's economy recorded a growth despite of an earlier decline. Key indicators achieved a recovery growth and fixed assets investment decreased at a significantly slower rate. Infrastructure investment continued to decrease slightly on a YOY basis, however, the investment in each of water conservancy, road transportation and railway transportation all increased slightly after a turnaround. The investment in real estate development turned to positive growth, floor space under construction by real estate developers continued to increase at a slow pace and floor space newly started for construction by real estate developers continued to decline significantly YOY, while the newly-acquired land area figure was basically same as that of the previous year.

In the first half of 2020, operation and production resumption were sped up nationwide, the economy recovered stably, and the market demand for cement rebound soon. However, cement production indicator still showed a negative growth despite that China's cumulative cement output continued to decline at a slower pace, due to the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") and the adverse weather condition of heavy rainfall in Southern China on the market. But the decline in cement output narrowed significantly to be below 5% from a nearly 30% YOY decrease at the beginning of the year. For the second half of the year, owing to the end of plum rain season, the arrival of the traditional peak season of construction works and the resulting rapid rebound of demand, the cement output is expected to increase at a positive pace instead of a negative one.

In the first half of 2020, China's total cement production amounted to 998 million tonnes, representing a YOY decrease of 4.8%, but such decrease was 3.4% lower as compared with that from January to May, while China's total cement production in the same period of last year represented a YOY increase of 6.8%; in June, China's cement production amounted to 229 million tonnes, representing a YOY increase of 8.4%, but a decrease of 8.06% as compared with that of the previous month. **(Source: Digital Cement)**

2. COMPANY'S BUSINESS REVIEW

In the first half of 2020, the Group was committed to refining our fundamental internal management, to enhance the quality of existing manufacturing operations and the sustainability of profits.

As at 30 June 2020, the Group had a total production capacity of 100.38 million tonnes of cement, 51.07 million tonnes of clinker and 19.30 million cubic meters of concrete.

During the Reporting Period, the Group's total sales of cement and clinker were 24.288 million tonnes, representing a YOY increase of 1.5%; sales volume of concrete was 1.284 million cubic meters, representing a YOY decrease of 14.6%; sales revenue was RMB8,746,831,000, representing a YOY decrease of 7.3%; and the profit for the period was RMB1,324,054,000, representing a YOY increase of 9.8%.

(I) Business analysis

1. Sales revenues and their respective YOY changes

(Unit: RMB'000)

Product	**January–June 2020** Sales revenue	**January–June 2020** proportion	January–June 2019 Sales revenue	January–June 2019 proportion	Sales revenue YOY change
Cement	**6,966,619**	**79.6%**	7,522,147	79.7%	-7.4%
Clinker	**948,861**	**10.8%**	977,265	10.4%	-2.9%
Concrete	**602,913**	**6.9%**	745,832	7.9%	-19.2%
Others	**228,438**	**2.6%**	195,479	2.0%	16.9%
Total	**8,746,831**	**100.0%**	9,440,723	100.0%	-7.3%

During the Reporting Period, the Group's sales revenue decreased by 7.3% to RMB8,746,831,000. With regard to revenue breakdown by products, cement revenue amounted to RMB6,966,619,000, representing a YOY decrease of 7.4%, and clinker revenue amounted to RMB948,861,000, representing a YOY decrease of 2.9%. The revenue from concrete amounted to RMB602,913,000, representing a YOY decrease of 19.2%.

2. COMPANY'S BUSINESS REVIEW (CONTINUED)

(I) Business analysis (Continued)

2. Sales volume, unit selling prices and their respective YOY changes

(1) Comparison of sales volume and unit selling price for the Group

Product	**Sales volume from January to June 2020**	Sales volume from January to June 2019	Sales volume change	**Unit selling price from January to June 2020**	Unit selling price from January to June 2019	Change in unit selling price
	('000 tonnes)	*('000 tonnes)*		***(RMB/tonne)***	*(RMB/tonne)*	
Cement	**20,590**	20,373	1.1%	**341.0**	371.4	-8.2%
Clinker	**3,698**	3,559	3.9%	**258.1**	276.4	-6.6%
	('000 m³)	*('000 m³)*		***(RMB/m³)***	*(RMB/m³)*	
Concrete	**1,284**	1,504	-14.6%	**472.3**	499.0	-5.4%

During the Reporting Period, the sales volume of cement of the Group amounted to 20.590 million tonnes, representing a YOY increase of 1.1%; the sales volume of clinker amounted to 3.698 million tonnes, representing a YOY increase of 3.9%. The unit selling price of cement decreased by 8.2% to RMB341.0 per tonne, while the unit selling price of clinker decreased by 6.6% to RMB258.1 per tonne. The sales volume of concrete amounted to 1.284 million cubic meters, representing a YOY decrease of 14.6%. The unit selling price of concrete decreased by 5.4% to RMB472.3/m^3.

2. COMPANY'S BUSINESS REVIEW (CONTINUED)

(I) Business analysis (Continued)

2. Sales volume, unit selling prices and their respective YOY changes (Continued)

(2) Comparison of unit selling price of cement between operating regions

Operating region	**Average unit selling price from January to June 2020** ***(RMB/tonne)***	Average unit selling price from January to June 2019 *(RMB/tonne)*	Change in unit selling price
Shandong Region	**389.0**	420.7	-7.5%
Eastern Shandong Operating Region	**408.6**	434.3	-5.9%
Western Shandong Operating Region	**390.1**	405.6	-3.8%
Southern Shandong Operating Region	**364.7**	431.6	-15.5%
Northeast China Operating Region	**256.9**	265.1	-3.1%
Shanxi Operating Region	**282.7**	268.4	5.3%
Xinjiang Operating Region	**468.6**	449.1	4.3%

During the Reporting Period, the average unit selling price of cement in Shandong Region was RMB389.0 per tonne, representing a YOY decrease of 7.5%; the average unit selling price of cement in Eastern Shandong Operating Region was RMB408.6 per tonne, representing a YOY decrease of 5.9%; the average unit selling price of cement in Western Shandong Operating Region was RMB390.1 per tonne, representing a YOY decrease of 3.8%; the average unit selling price of cement in Southern Shandong Operating Region was RMB364.7 per tonne, representing a YOY decrease of 15.5%; the average unit selling price of cement in Northeast China Operating Region was RMB256.9 per tonne, representing a YOY decrease of 3.1%; the average unit selling price of cement in Shanxi Operating Region was RMB282.7 per tonne, representing a YOY increase of 5.3%; the average unit selling price of cement in Xinjiang Operating Region was RMB468.6 per tonne, representing a YOY increase of 4.3%.

2. COMPANY'S BUSINESS REVIEW (CONTINUED)

(I) Business analysis (Continued)

2. Sales volume, unit selling prices and their respective YOY changes (Continued)

(3) Comparison of sales volume and sales proportion between high and low grade cement

Product	**January–June 2020**		January–June 2019		Change in sales volume
	Sales volume *('000 tonnes)*	**Sales proportion**	Sales volume *('000 tonnes)*	Sales proportion	
High grade cement	**19,162**	**93.06%**	16,470	80.84%	16.34%
Low grade cement	**1,428**	**6.94%**	3,903	19.16%	-63.41%

Note: High grade cement refers to products with compressive strength equal to or higher than 42.5 mega Pascals (MPa).

During the Reporting Period, sales volume of high grade cement was 19.162 million tonnes, representing a YOY increase of 16.34%, and sales volume of low grade cement was 1.428 million tonnes, representing a YOY decrease of 63.41%.

2. COMPANY'S BUSINESS REVIEW (CONTINUED)

(I) Business analysis (Continued)

3. Analysis of sales revenue by operating regions and their respective YOY changes

(Unit: RMB'000)

Region	**January–June 2020** Sales revenue	**January–June 2020** Sales proportion	January–June 2019 Sales revenue	January–June 2019 Sales proportion	Change of sales revenue
Shandong Region	**5,713,185**	**65.3%**	6,599,659	69.9%	-13.4%
Eastern Shandong Operating Region	**2,294,317**	**26.2%**	2,401,983	25.4%	-4.5%
Western Shandong Operating Region	**2,161,326**	**24.7%**	2,820,418	29.9%	-23.4%
Southern Shandong Operating Region	**1,257,542**	**14.4%**	1,377,258	14.6%	-8.7%
Northeast China Operating Region	**1,655,466**	**18.9%**	1,428,488	15.1%	15.9%
Shanxi Operating Region	**1,106,101**	**12.7%**	1,042,495	11.1%	6.1%
Xinjiang Operating Region	**272,079**	**3.1%**	370,081	3.9%	-26.5%
Total	**8,746,831**	**100%**	9,440,723	100%	-7.3%

During the Reporting Period, the sales revenue in Shandong Region was RMB5,713,185,000, accounting for 65.3% of the Group's total sales revenue and representing a YOY decrease of 13.4%; the sales revenue in Eastern Shandong Operating Region was RMB2,294,317,000, accounting for 26.2% of the Group's total sales revenue and representing a YOY decrease of 4.5%; the sales revenue in Western Shandong Operating Region was RMB2,161,326,000, accounting for 24.7% of the Group's total sales revenue and representing a YOY decrease of 23.4%; the sales revenue in Southern Shandong Operating Region was RMB1,257,542,000, accounting for 14.4% of the Group's total sales revenue and representing a YOY decrease of 8.7%; the sales revenue in Northeast China Operating Region was RMB1,655,466,000, accounting for 18.9% of the Group's total sales revenue and representing a YOY increase of 15.9%; the sales revenue in Shanxi Operating Region was RMB1,106,101,000, accounting for 12.7% of the Group's total sales revenue and representing a YOY increase of 6.1%; the sales revenue in Xinjiang Operating Region was RMB272,079,000, accounting for 3.1% of the Group's total sales revenue and representing a YOY decrease of 26.5%.

2. COMPANY'S BUSINESS REVIEW (CONTINUED)

(II) Profit analysis

1. Changes in key profit and loss items

(Unit: RMB'000)

	January–June 2020	January–June 2019	Change
Revenue	**8,746,831**	9,440,723	-7.3%
Gross profit	**3,021,844**	3,281,588	-7.9%
EBITDA	**2,714,038**	2,685,181	1.1%
Profit from operations	**1,959,039**	1,938,564	1.1%
Profit before taxation	**1,783,304**	1,713,947	4.0%
Profit for the period	**1,324,054**	1,205,641	9.8%
Profit attributable to equity shareholders of the Company	**1,296,631**	1,196,369	8.4%

During the Reporting Period, the Group recorded sales revenue of RMB8,746,831,000, representing a YOY decrease of 7.3%; profit from operations was RMB1,959,039,000; profit for the period was RMB1,324,054,000, representing a YOY increase of 9.8%; profit attributable to equity shareholders of the Company was RMB1,296,631,000. The increase in profit was mainly due to the increases in sales volume of cement and clinker during the period and the related measures of costs reduction and efficiency enhancement.

2. COMPANY'S BUSINESS REVIEW (CONTINUED)

(II) Profit analysis (Continued)

2. Comparison and analysis of the proportion of cost of sales to revenue

(Unit: RMB'000)

Cost of sales	January–June 2020 Amount	January–June 2020 Proportion to sales revenue	January–June 2019 Amount	January–June 2019 Proportion to sales revenue	Change of proportion to sales revenue (percentage points)
Raw materials	**2,945,949**	**33.7%**	3,028,211	32.1%	1.6
Coal	**1,245,431**	**14.3%**	1,434,947	15.2%	-0.9
Power	**551,680**	**6.3%**	562,443	6.0%	0.3
Depreciation and amortisation	**420,822**	**4.8%**	475,907	5.0%	-0.2
Others	**561,105**	**6.4%**	657,628	7.0%	-0.6
Total cost of sales	**5,724,987**	**65.5%**	6,159,135	65.3%	0.2

During the Reporting Period, the proportion of the Group's total cost of sales to revenue was 65.5%, representing a YOY increase of 0.2 percentage point. In particular, coal, depreciation and amortisation and other costs decreased by 0.9 percentage point, 0.2 percentage point and 0.6 percentage point, respectively as compared with the same period of last year; while raw materials and power costs increased by 1.6 percentage points and 0.3 percentage point respectively as compared with the same period of last year.

The YOY increase in the proportion of raw materials cost to sales revenue was mainly attributed to the decreases in unit selling prices of cement and clinker; however, due to the YOY decreases in unit purchase prices of certain raw materials such as limestone, slag powder and fly ash, the total raw materials cost decreased as compared with the same period of last year. In the first half of 2020, the average purchase price of coal was down approximately by 14.9% to RMB576.9/tonne compared with the same period of last year (RMB678.1/tonne). The YOY decrease in depreciation and amortisation cost was mainly ascribed to the impact of COVID-19 outbreak, longer period of suspension of production and transfer of related expenses to expenses incurred during off-peak suspension for the period.

3. COMPANY'S FINANCIAL REVIEW

(a) Expenses during the period

(Unit: RMB'000)

	January–June 2020		January–June 2019		Changes in proportion to sales revenue
	Amount	**Proportion to sales revenue**	Amount	Proportion to sales revenue	
Selling and marketing expense	**250,773**	**2.9%**	274,092	2.9%	0.0%
Administrative expense	**599,094**	**6.8%**	752,872	8.0%	-1.2%
Finance expense	**184,906**	**2.1%**	243,812	2.6%	-0.5%
Total	**1,034,773**	**11.8%**	1,270,776	13.5%	-1.7%

During the Reporting Period, the proportion of the Group's selling and marketing expense to sales revenue remained stable compared to the same period of last year. The proportion of administrative expense to sales revenue has a YOY decrease of 1.2 percentage points. In addition, the proportion of the Group's finance cost to sales revenue has a YOY decrease of 0.5 percentage point.

The decrease in selling and marketing expense was mainly due to the decrease of sales service charges for the period. The decrease in administrative expense was mainly due to the decrease in the accrued bonuses and the legal and professional expenses for the period, and the decrease in the expenses of traveling and business entertainment as a result of the COVID-19 outbreak. In addition, the Group incurred payments of litigation-related penalty and overdue interest for the same period last year, while the Group did not incur such expenses for the period. The decrease in financial cost was mainly due to lower interest expenses as compared with the same period of last year resulting from negotiation on debts and accelerated repayment of borrowings.

3. COMPANY'S FINANCIAL REVIEW (CONTINUED)

(b) Changes in balance sheet items

(Unit: RMB'000)

	30 June 2020	31 December 2019	Change
Non-current assets	**20,363,568**	20,610,663	-1.2%
Current assets	**7,420,794**	6,217,142	19.4%
Total assets	**27,784,362**	26,827,805	3.6%
Current liabilities	**11,105,386**	11,181,736	-0.7%
Non-current liabilities	**2,770,464**	3,045,630	-9.0%
Total liabilities	**13,875,850**	14,227,366	-2.5%
Non-controlling interests	**130,662**	103,239	26.6%
Equity attributable to equity shareholders of the Company	**13,777,850**	12,497,200	10.2%
Total liabilities and equity	**27,784,362**	26,827,805	3.6%
Net gearing ratio	**20.7%**	27.6%	-6.9 percentage points

As of 30 June 2020, the Group's total assets were RMB27,784,362,000, total liabilities were RMB13,875,850,000 and its net assets were RMB13,908,512,000. The net gearing ratio (net debts/(net debts + total equity)) was 20.7%, representing a decrease of 6.9 percentage points as compared with the end of the last year. The Group's total current assets were RMB7,420,794,000, its total current liabilities were RMB11,105,386,000, and its net current liabilities were RMB3,684,592,000.

3. COMPANY'S FINANCIAL REVIEW (CONTINUED)

(c) Long-term and short-term bank loans and other loans

(Unit: RMB'000)

Term of borrowings	30 June 2020	31 December 2019
Short-term borrowings (including long-term borrowings with maturity within one year)	**3,371,658**	3,911,329
Long-term borrowings	**2,020,588**	2,248,875
Total	**5,392,246**	6,160,204

All borrowings of the Group were denominated in Renminbi and USD. As of 30 June 2020, the Group's total borrowings were RMB5,392,246,000 including outstanding and unredeemed USD-denominated convertible bonds together with accrued interest thereon totaling approximately USD85,695,000 (approximately RMB606,679,000) and RMB4,785,567,000 of borrowings, representing a decrease of RMB767,958,000 as compared with the end of 2019. Of which, short-term borrowings (including long-term borrowings with maturity within 1 year) amounted to RMB3,371,658,000 and accounted for 62.5% of the Group's total borrowings.

For details in relation to the total borrowings of the Company and its interest rates as at 30 June 2020, please refer to the relevant explanation in Notes 15-17 and 20 to the condensed consolidated financial statements.

(d) Capital expenditures

During the Reporting Period, the capital expenditures were approximately RMB505,426,000, which were mainly invested in respect of intelligent production, mine resources reserves, cement, and new construction and technical renovation of clinker production lines.

Outstanding capital commitments under relevant agreements not provided for in the financial statements as at 30 June 2020 were as follows:

(Unit: RMB'000)

	30 June 2020	31 December 2019
Authorised and contracted for	**199,093**	324,888
Authorised but not contracted for	**690,736**	334,698
Total	**889,829**	659,586

3. COMPANY'S FINANCIAL REVIEW (CONTINUED)

(e) Net cash flow analysis

(Unit: RMB'000)

	January–June 2020	January–June 2019
Net cash generated from operating activities	**1,602,221**	1,642,319
Net cash used in investing activities	**(455,819)**	(758,195)
Net cash used in financing activities	**(742,199)**	(830,036)
Net change in cash and cash equivalents	**404,203**	54,088
Balance of cash and cash equivalents as at 1 January	**1,364,054**	1,303,943
Effect of foreign exchange rates change	**(13,906)**	(2,233)
Balance of cash and cash equivalents as at 30 June	**1,754,351**	1,355,798

Net cash generated from operating activities

During the Reporting Period, the Group recorded a net cash generated from operating activities of RMB1,602,221,000, representing a YOY decrease of RMB40,098,000, mainly due to a decrease in cash inflow from operating activities as a result of a decrease in revenue from operations for the period.

Net cash used in investing activities

During the Reporting Period, the Group recorded a net cash used in investing activities of RMB455,819,000, representing a YOY decrease of RMB302,376,000, mainly due to the payments on equity interest for resumption of control over Xinghao Cement in the same period of last year, and the receipts arising from capital-reduction of certain investee companies in the period.

Net cash used in financing activities

During the Reporting Period, the Group recorded a net cash used in financing activities of RMB742,199,000, representing a YOY decrease of RMB87,837,000, mainly due to the decrease in the net cash outflow for bank borrowings, repayment of bank loans and bonds as compared with the same period of last year.

3. COMPANY'S FINANCIAL REVIEW (CONTINUED)

(f) Material acquisition and disposal

During the Reporting Period, the Group has no material acquisition or disposal.

(g) Pledge of assets

Details in relation to pledge of assets of the Group as at 30 June 2020 are set out in Note 16 to the condensed consolidated financial statements.

(h) Contingent liabilities

Details in relation to contingent liabilities of the Group as at 30 June 2020 are set out in Note 24 to the condensed consolidated financial statements.

(i) Use of proceeds from the issue of Convertible Bonds in 2018

On 6 August 2018 and 30 August 2018, the Company entered into respective subscription agreements with subscribers in relation to issue and subscription of (a) the convertible bonds in the aggregate principal amount of US$210,900,000 ("**First 2018 Convertible Bonds**") and (b) the convertible bonds in the aggregate principal amount of US$320,700,000 ("**Second 2018 Convertible Bonds**", and together with the First 2018 Convertible Bonds, the "**Convertible Bonds**"), and the transactions were completed on 8 August 2018 and 3 September 2018, respectively. For details in relation to the two issuance of convertible bonds, please refer to the announcements of the Company dated 6 August 2018, 8 August 2018, 31 August 2018 and 3 September 2018 (the "**Convertible Bonds Announcements**") and Note 20 to the condensed consolidated financial statements.

3. COMPANY'S FINANCIAL REVIEW (CONTINUED)

(i) Use of proceeds from the issue of Convertible Bonds in 2018 (Continued)

The original intended use of proceeds as set out in the Convertible Bonds Announcements and the actual use of proceeds up to 30 June 2020 are set out below:

Unit: US$ million

Intended use of proceeds	Intended allocation of net proceeds from issuance of the Convertible Bonds	Actual utilization amount as at 30 June 2020	Unutilised amount as at 30 June 2020
First 2018 Convertible Bonds			
(i) redemption of the US$500,000,000 75% senior notes due 2020 issued by the Company (stock code: 5880) (the "**2020 Notes**")	210.9	210.9	–
Second 2018 Convertible Bonds			
(i) redemption of the 2020 Notes	233.3	233.3	–
(ii) general corporate use	87.4	35.3	52.1
Total	531.6	479.5	52.1

3. COMPANY'S FINANCIAL REVIEW (CONTINUED)

(i) Use of proceeds from the issue of Convertible Bonds in 2018 (Continued)

As at 30 June 2020, the proceeds from the issue of the Convertible Bonds have not been fully utilized, and the remaining amounts will be used for general corporate use according to the original intended use as stated in the Convertible Bonds Announcements. Further, as stated in the announcement of the Company dated 17 September 2019 in relation to the validation order, the dispositions of property and payments made by the Company in the ordinary course of business are limited to US$2 million in each calendar month.

(j) Management of foreign exchange exposure

The Group's functional currency is RMB, and during the Reporting Period, as most of the sales amounts and purchase amounts of the Group were denominated in RMB, there was no significant foreign exchange exposure.

RMB is not a freely convertible currency. Future exchange rate of RMB may change substantially as compared to current or historical exchange rates as a result of the controls imposed by the PRC government. The exchange rate may also be subject to domestic and international economic developments and political changes as well as the supply and demand of RMB. The appreciation or depreciation of RMB against foreign currencies may have an impact on the Group's operating results.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

4. OUTLOOK FOR THE SECOND HALF OF THE YEAR

Macro operating environment outlook for the second half of the year

In the first half of 2020, the industry demand declined as affected by the COVID-19 outbreak, resulting in a downward trend in cement prices across the country and pressure on the performance of cement enterprises. However, from the perspective of the domestic economic situation, the main indicators have recovered to positive growth and the decline in fixed asset investment has narrowed to a great extent. A slight YOY decline was recorded in infrastructure investment, while the YOY growth rate of investment in water conservancy management, road transportation and railway transportation has turned from negative to positive, indicating a slight increase. In the second half of 2020, supported by positive factors such as increased investment in infrastructure and continued recovery in real estate industry, cement prices will see in an upward recovery in the second half of 2020, and cement demand will continue to maintain a healthy operation.

On the demand front, the overall forecast for the market demand in the second half of the year is expected to be higher than that of the same period last year due to the impact of three favorable factors.

1. Continuous efforts were put into economic stimulus policies.

   In order to hedge against the impact of the COVID-19 outbreak on the economy, China has increased money supply and introduced a series of economic stimulus policies regarding monetary and fiscal aspects.

2. Increasing efforts were put in the construction of key projects.

   More than RMB40 trillion has been announced to be invested in the infrastructure in 31 provinces across the country during this year. The cumulative investment amount planned to be put into comprehensive transportation construction for 2020 as announced in the area where Shanshui is located was RMB303.6 billion: RMB184.2 billion for Shandong, RMB25.2 billion for Liaoning, RMB40 billion for Inner Mongolia and RMB54.2 billion for Xinjiang. The construction of certain projects has started in the first half of the year, and it is expected that the cement consumption will increase significantly in the third quarter as the progress of project construction accelerates; at the same time, a number of new key projects will also accelerate to be implemented as the COVID-19 outbreak eases.

4. OUTLOOK FOR THE SECOND HALF OF THE YEAR (CONTINUED)

Macro operating environment outlook for the second half of the year (Continued)

3. Recovery and growth were seen in the real estate industry.

   In the first half of 2020, RMB6,278 billion has been put into the investment in real estate development across the country, representing a YOY increase of 1.9%. Among them, residential investment was RMB4,635 billion, representing an increase of 2.6%, and the growth rate was 2.6% higher than that from January to May. The growth rate of investment in real estate development has turned positive, and the floor space under construction by real estate developers has maintained a slight increase. Although the floor space newly started for construction has decreased significantly year on year, the land acquisition area has almost remained the same year on year, which indicates that the real estate industry is gradually recovering and further growth prospects are expected to be seen in the second half of the year. The recovery and growth of the real estate industry will bring further growth in demand for cement.

On the supply front, the supply-side reform of the cement industry will continue to be advanced.

In the second half of 2020, cutting excessive capacity will remain a key theme of the industry. As the Chinese government further advanced supply-side structural reform and stepped up efforts on air pollution control and environmental protection, off-peak production, production restriction for environmental protection, elimination of outdated production capacity, capacity reduction and replacement, and mergers and reorganizations that increase industry concentration will continue to be the most important means for the cement industry to promote supply-side structural reform. In the second half of 2020, more efforts will be made to promote green and high-quality development. Green manufacturing is the only way for the transformation and upgrading of cement industry. Great efforts and time are required by green mine construction, energy saving and consumption reduction, and the building of a garden cement plant. On the other hand, intelligent factories and production lines will be constructed to further develop the intelligence and digitalization of cement factories. The industry needs to accelerate the speed of transformation and upgrading.

Meanwhile, the promulgation of new infrastructure plans by the NPC and CPPCC has also brought more opportunities for economic operations which suffered severe damage across the country. In the face of a new industry situation where opportunities and challenges co-exist, the in-depth integration of the development of networking, intelligence and digitalization in the 5G era with the traditional industry of cement is also imperative.

As the Group is the sixth largest cement and clinker manufacturer in China in terms of its capacity, the PRC government's implementation of stricter environmental protection policies and off-peak production measures to promote the development of intelligent, digital and green cement enterprises will facilitate us in cementing our market position and improving our financial performance.

4. OUTLOOK FOR THE SECOND HALF OF THE YEAR (CONTINUED)

Macro operating environment outlook for the second half of the year (Continued)

Business outlook for the second half of the year

In the second half of 2020, the Group will, in accordance with its annual business goals, speed up the replacement of old drivers of growth with new ones, implement the three main strategies of “resource reserve, industry chain extension and talent-oriented development”, make efforts to accomplish key tasks such as standardization of rules and procedures, remedying its shortcomings, management innovation and team building, so as to pursue high-quality development and open up fresh growth prospects. Meanwhile, the Group will seize the favorable opportunities arising from the restructuring of the cement industry to enhance its presence in the domestic market.

In terms of operation and management, the Group will keep a close eye on the impact of the supply-side structural reform and environmental protection policies on the supply side, as well as the impact of the country’s increased infrastructure investment on the demand side. It will make comprehensive studies and analyses and accurately predict the market trends, so as to improve the accuracy of marketing strategies and improve the quality of operations. Further, it will strengthen studies and analyses on the raw material markets, consolidate and strengthen its strategic cooperation with major suppliers of various materials, and actively explore new pipelines to ensure stable and economic supply of raw materials. Meanwhile, the Group will thoroughly implement the national environmental protection policies and guidelines, carry out technological renovation to save energy and reduce emissions, and further improve its environmental management standard; continue to promote the construction of green mines, enforce standardized mining operations, and carry out remediation and restoration of mining areas; and accelerate industry chain extension and vigorously develop aggregate business. In addition, the Group will improve its staff training mechanism, innovate talents recruiting mode and enhance its talent incentive mechanism to generate internal impetus for the sustainable development of the Company.

In short, the Group will, with the efforts of all its employees, keep improving the quality of its operations to take business development to a new level, and build itself into a top-notch player in the industry. Meanwhile, it will earnestly fulfill social responsibility, and reward its shareholders and employees and the society with excellent performance.

5. EMPLOYEES AND THEIR REMUNERATION

As of 30 June 2020, the Group had a total of 18,373 employees. The aggregate remuneration of the employees for the Reporting Period was RMB826,282,000.

(V) Share Capital and Shareholdings of Substantial Shareholders and the Directors

1. CHANGES IN SHARE CAPITAL AND GENERAL INFORMATION ON THE LISTING OF SHARES

As of 30 June 2020, the Company's authorised share capital was US$100,000,000 divided into 10,000,000,000 Shares of par value of US$0.01 each.

During the Reporting Period, the Company has not issued new Shares.

As of 30 June 2020, the Company has issued a total of 4,353,966,228 Shares.

2. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

(1) Shareholdings of substantial shareholders

As of 30 June 2020, the interests or short positions of persons, other than the Directors and Chief Executive of the Company, in the Shares and underlying shares of the Company, which would be required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register maintained under section 336 of the SFO, were as follows:

Name of shareholder	Number of Ordinary Shares interested[1]	Nature of interests	Percentage of Shares in issue
LI Liufa[2a]	951,462,000 (L)	Interests of corporations controlled by substantial shareholder	21.85%
LI Fengluan[2a]	951,462,000 (L)	Interests of corporations controlled by substantial shareholder	21.85%
Tianrui Group Company Limited[2a]	951,462,000 (L)	Interests of corporations controlled by substantial shareholder	21.85%
Tianrui (International) Holding Company Limited[2a]	951,462,000 (L)	Beneficial owner	21.85%
China Bohai Bank Co., Ltd. Dalian Branch[2b]	791,000,000 (L)	Security interest in shares	18.17%
China Shanshui Investment Company Limited[3]	847,908,316 (L)	Beneficial owner	19.47%
Asia Cement Corporation[4]	428,393,000 (L)	Interests of corporations controlled by substantial shareholder	9.84%
	331,878,315 (L)	Beneficial owner	7.62%
	142,643,000 (L)	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under s.317(1)(a) and s.318 of the SFO	3.28%

(V) Share Capital and Shareholdings of Substantial Shareholders and the Directors (Continued)

2. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

(1) Shareholdings of substantial shareholders (Continued)

Name of shareholder	Number of Ordinary Shares interested[(1)]	Nature of interests	Percentage of Shares in issue
Yu Yuan Investment Corporation Limited	142,643,000 (L)	Beneficial owner	3.28%
	760,271,315 (L)[(5)]	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under s.317(1)(a) and s.318 of the SFO	17.46%
China National Building Material Group Co., Ltd.[(6)]	563,190,040 (L)	Interests of corporations controlled by substantial shareholder	12.94%
China National Building Material Company Limited[(6)]	563,190,040 (L)	Interests of corporations controlled by substantial shareholder	12.94%
China Building Material Holdings Co., Limited[(6)]	563,190,040 (L)	Beneficial owner	12.94%
Cithara Investment International Limited	483,260,335 (L)	Investment Manager	11.10%
Cithara Global Multi-Strategy SPC-CMB Chung Wai Greater China Alpha Strategy SP	483,260,335 (L)	Beneficial owner	11.10%

Notes:

(1) The letter "L" denotes a long position in such Shares.

(2a) LI Liufa and LI Fengluan (spouse of LI Liufa) owned 70% and 30% respectively of Tianrui Group Company Limited, which owned 100% of Tianrui (International) Holding Company Limited.

(2b) On 22 March 2016, Tianrui Group Company Limited, the Company's substantial shareholder, notified the Company that it has pledged 791,000,000 shares of the Company in favor of China Bohai Bank Co., Ltd. for a bank loan.

(3) According to the Form 2 filed on 18 November 2014, ZHANG Caikui is the person in accordance with whose directions China Shanshui Investment Company Limited or its directors are accustomed to act.

(4) The interest in 331,878,315 shares of the Company was held by several direct or indirect subsidiaries of Asia Cement Corporation. The interest in 142,643,000 shares of the Company was held by Yu Yuan Investment Corporation Limited, which is the party to the agreement under Section 317.

(5) Asia Cement Corporation is the party to the agreement under Section 317.

(6) China National Building Material Company Limited was a controlled corporation of China National Building Material Group Corporation Co., Ltd. (中國建材集團有限公司) (formerly known as China National Building Material Group Corporation (中國建築材料集團有限公司)), which owned 100% of China Building Material Holdings Co., Limited.

(7) The number of issued shares of the Company as at 30 June 2020 was 4,353,966,228.

2. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

(1) Shareholdings of substantial shareholders (Continued)

Save as disclosed above, and so far as the Directors are aware, as of 30 June 2020, no person, other than Directors or the Chief Executive of the Company, had an interest or short position in the Shares or underlying shares of the Company which would need to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register maintained pursuant to Section 336 of the SFO.

(2) Directors' and Chief Executives' Interests in the Shares, Underlying Shares and Debentures

As of 30 June 2020, none of the Directors or the chief executives of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, which would be required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

3. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

4. SHARE OPTION SCHEME

The Company adopted the Share Option Scheme pursuant to a Shareholders' resolution passed on 14 June 2008 (the "**Adoption Date**"). Save for the Share Option Scheme, the Company has no other share option scheme currently in force.

At the Adoption Date, a mandate limit was approved to allow the Company to grant options entitling holders to subscribe for Shares not exceeding 10% of the then issued Shares as at the date of the approval of the Share Option Scheme, which amounted to 260,336,000 options to subscribe for 260,336,000 Shares (the "**Existing Scheme Mandate Limit**"). During the period from the Adoption Date to the date of this report, no refreshment of the Existing Scheme Mandate Limit has been approved by the Shareholders.

Since the adoption of the Share Option Scheme, options to subscribe for 7,400,000 Shares were granted on 25 May 2011 (the closing price of the Shares as at the date of grant was HK$7.83 per Share) and options to subscribe for 163,700,000 Shares (not including the options to subscribe for 20,000,000 Shares and 23,600,000 Shares conditionally granted to ZHANG Bin and ZHANG Caikui (ZHANG Caikui was deemed to be a substantial Shareholder due to his interest in CSI and ZHANG Bin is his associate), respectively, subject to the approval of the Shareholders which has not yet been obtained) were granted on 27 January 2015 (the closing price of the Shares as at the date of grant was HK$3.68 per Share).

By virtue of the High Court Miscellaneous Proceedings No. 593 of 2015 ("HCMP593/2015"), CSI has commenced an injunction application to apply to set aside the grant of the 207,300,000 share options in early 2015 . A Consent Summons with Wong & Lawyers (for CSI in its capacity as minority shareholders) and Mayor Brown JSM (for CSI in its corporate capacity) was signed on 6 January 2016 in which the Company gave an undertaking to the High Court that it will not take steps to implement the share options offered as described in its public announcement dated 27 January 2015 until 28 days from the handing down of the judgment in relation to the substantive hearing of the Petitioner's Summons dated 17 August 2015 or until further Order of the Court.

Since no extraordinary general meeting of the Company was held for the approval of the grant of 43,600,000 options in aggregate conditionally granted to ZHANG Bin and ZHANG Caikui, such options have not been granted.

Out of the options to subscribe for 7,400,000 Shares granted on 25 May 2011, 400,000 Shares were lapsed in accordance with the terms of the Share Option Scheme and therefore will not be counted for the purpose of the Existing Scheme Mandate Limit pursuant to Note 1 to Rule 17.03(3) of the Listing Rules.

Out of the options to subscribe for 163,700,000 Shares granted on 27 January 2015, 41,800,000 Shares were lapsed in accordance with the terms of the Share Option Scheme and therefore will not be counted for the purpose of the Existing Scheme Mandate Limit pursuant to Note 1 to Rule 17.03(3) of the Listing Rules.

Save for the above, none of the options granted on 25 May 2011 and 27 January 2015 have been exercised or cancelled or lapsed.

4. SHARE OPTION SCHEME (CONTINUED)

Accordingly, taking into account all the options granted and conditionally granted, the outstanding Existing Scheme Mandate Limit as of the date of this report is 131,436,000 Shares, representing approximately 50.49% of the Existing Scheme Mandate Limit and approximately 3.02% of the share capital in issue (4,353,966,228 Shares) as at the date of this report.

The Shares that will be issued upon full exercise of the options currently granted under the Share Option Scheme are 128,900,000 Shares, representing approximately 2.96% of the share capital in issue (4,353,966,228 Shares) of the Company as of 30 June 2020.

Details of the options are set out as follows:

					Number of Share Options					
Type of Grantee	Date of Grant	Vesting period	Exercise period	Exercise price	Outstanding as at 1.1.2020	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Expired during the Reporting Period	Outstanding as at 30.06.2020
Employees and directors of subsidiaries and associates	25 May 2011	Nil	25 May 2011 – 24 May 2021	HK$7.90	7,000,000	–	–	–	–	7,000,000
	27 January 2015	Six months after the date of grant	27 July 2015 – 26 January 2025	HK$3.68	121,900,000	–	–	–	–	121,900,000
					128,900,000	–	–	–	–	128,900,000

4. SHARE OPTION SCHEME (CONTINUED)

Summary of the principal terms of the share option scheme

The purpose of the Share Option Scheme is to provide an incentive for the Qualified Participants (as defined below) to work with commitment towards enhancing the value of the Company and the Shares for the benefit of the Shareholders, and to retain and attract talents and working partners whose contributions are or may be beneficial to the growth and development of the Group.

Subject to the terms of the Share Option Scheme, the Board may at its discretion grant options to (i) any executive director, or employee (whether full time or part time) of the Company, any member of the Group or any entity in which any member of the Group holds an equity interest ("**Invested Entity**"); (ii) any non-executive director (including independent non-executive director) of the Company, any member of the Group or any Invested Entity; (iii) any supplier of goods or services to the Company, any member of the Group or any Invested Entity; (iv) any customer of the Company, any member of the Group or any Invested Entity; and (v) any such person (including but not limited to consultant, adviser, contractor, business partner or service provider of the Company or any member of the Group or any Invested Entity) who in the absolute discretion of the Board has contributed or will contribute to the Group (collectively "**Qualified Participants**").

Unless approved by the Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that grantee on exercise of his options during any 12-month period exceeding 1% of the total Shares then in issue.

The validity of the options granted by the Board on 25 May 2011 shall be ten years from 25 May 2011. The validity of the options granted by the Board on 27 January 2015 shall be ten years from 27 January 2015.

The price at which the Shares may be subscribed upon exercise of an option granted shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of grant (and which must be a business day); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

5. PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of the Cayman Islands, the Company is not required to offer to its existing shareholders the pre-emptive right to acquire new shares in proportion to their shareholdings.

1. MATERIAL LITIGATION IN THE CAYMAN ISLANDS

Cause Nos.: FSD 161 of 2018 and FSD 93 of 2019

Tianrui (International) Holding Company Limited ("**Tianrui**"), a Shareholder of the Company, presented a petition dated 30 August 2018 seeking to wind up the Company (the "**Cayman Petition**") before the Grand Court of the Cayman Islands (the "**Cayman Court**"). The Cayman Petition asks the court to appoint official liquidators to take over management of the Company. Tianrui filed a further application on 6 September 2018 for the appointment of joint provisional liquidators ("**JPLs**") over the Company (together with the Cayman Petition, the "**Cayman Proceedings**").

On 10 and 11 October 2018, the substantive hearing was heard in the Cayman Court (the "**Cayman Hearing**"), at which the Company was granted a Validation Order from the Cayman Court, on the terms requested by the Company, permitting it to make payments in the ordinary course of business. The Cayman Petition was struck out and the application for appointment of JPLs dismissed by order of the Cayman Court dated 19 October 2018 (the "**Grand Court's Order**"). Subsequently, Tianrui appealed against the Grand Court's Order to the Court of Appeal of the Cayman Islands (the "**Court of Appeal**") (i.e. CICA 26 of 2018) and the appeal was allowed. The Company then sought leave to appeal to the Privy Council of the United Kingdom (the "**Privy Council**") against the decision of the Court of Appeal but did not obtain leave to do so.

On 21 March 2019, the Company announced that it was considering applying for a validation order (the "**VO Application**") from the Cayman Court to sanction the deposit of share certificates into the Central Clearing and Settlement System ("**CCASS**") of Hong Kong, and asking shareholders who wish to have their share certificates included in any such application for a validation order (the "**Requesting Shareholders**") to submit a written request to the Company. Subsequently, the Company received a number of written requests from Requesting Shareholders. On 29 March 2019 (Cayman Islands time), the Company made an application to the Cayman Court to, among other things, validate the transfer of shares held by the Requesting Shareholders to HKSCC Nominees Limited, the common nominee for shares deposited in CCASS which was heard on 3 and 4 July 2019. On 12 September 2019, the Cayman Court granted the VO Application and ordered (among other things) the validation of any transfer of shares to HKSCC Nominees Limited by the Company's shareholders and that any such transfer shall not be avoided in the event of any order for the winding-up of the Company (the "**Share Transfer Order**"). On the same day that the judgment was handed down, the Cayman Court also granted the petitioner, Tianrui, leave to appeal against its decision to the Court of Appeal. On 18 February 2020 (Cayman Islands Time), the Court of Appeal allowed this appeal and reversed the Share Transfer Order. The Company is seeking leave to appeal the Court of Appeal's decision, and continues to vigorously dispute the winding-up petition, which it believes to be without merits.

The Company was served on 4 June 2019 with a Writ of Summons issued on 27 May 2019, in the Cayman Court (the "**Writ**").

1. MATERIAL LITIGATION IN THE CAYMAN ISLANDS (CONTINUED)

Cause Nos.: FSD 161 of 2018 and FSD 93 of 2019 (Continued)

The Writ has been issued by Tianrui seeking (i) orders setting aside the Company's issue of certain convertible bonds, issued on or about 8 August 2018 and 3 September 2018, the subsequent conversion of the bonds on 30 October 2018 and/or the allotment of the Company's shares to the holders of such convertible bonds; and/or (ii) declarations setting aside the issue and subsequent conversion of the bonds.

The Company considers that there is no reasonable basis for the orders and/or declarations sought and, it will vigorously defend itself against the Writ and Tianrui's claim.

On 12 August 2019, the Company filed applications with the Cayman Court to, among others, (i) strike out the Cayman Petition and the Writ, and/or (ii) stay both proceedings until the Hong Kong High Court has delivered judgment at trial in HCA 548/2019 and/or HCA 2880/2015 (the "**Applications**"). The Applications were heard by the Cayman Court from 26 to 28 November 2019.

On 6 April 2020 (Cayman Islands time), the Cayman Court dismissed the Applications and as a result, the two proceedings will continue. The Company has filed an application for leave to appeal against the Cayman Court's decision.

For further details, please refer to the announcements published by the Company on 4 September 2018, 20 September 2018, 12 October 2018, 16 October 2018, 23 October 2018, 29 October 2018, 14 November 2018, 13 December 2018, 18 January 2019, 22 January 2019, 15 February 2019, 21 March 2019, 1 April 2019, 17 April 2019, 5 June 2019, 17 September 2019, 19 February 2020 and 7 April 2020.

2. MATERIAL LITIGATION IN HONG KONG

HCA 2880 of 2015 and CACV 91 of 2020

On 4 December 2015, a Writ of Summons (the "**Writ**") was issued by the Company against former Directors of the Company, namely ZHANG Cai Kui and ZHANG Bin (together, the "**Zhangs**") and LI Cheung Hung. On 17 December 2015, China Shanshui (HK) and Pioneer Cement were added as Plaintiffs and an additional of 5 former directors, namely CHANG Zhangli, WU Ling-ling (also known as Doris WU), LEE Kuan-chun (also known as Champion LEE), ZENG Xuemin and SHEN Bing were added as Defendants in the Writ.

The Plaintiffs claimed against the Defendant Directors for (inter alia) (1) various injunctive relief, including restraining them from acting on the allegedly unlawfully altered articles of association of Shandong Shanshui, an order for identifying the current whereabouts of or return the books, records, accounts or computer data or other documents etc. of the Group, and (2) damages and/or equitable compensation as a result of the alleged misconduct of the former Directors.

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

HCA 2880 of 2015 and CACV 91 of 2020 (Continued)

On 24 December 2015, the Company obtained interlocutory injunction orders (the "**December Injunction Orders**") against ZHANG Caikui, ZHANG Bin, LI Cheung Hung, CHANG Zhangli and WU Ling-ling compelling them to (inter alia) disclose and deliver the Group's Records to the Company. On 8 January 2016, the December Injunction Orders (as varied) continued and the Company obtained further interlocutory injunction orders (the "**January Injunction Orders**") against the Zhangs to (inter alia) restrain them from acting upon or exercising any power or entitlement pursuant to the unlawfully altered articles of association of Shandong Shanshui and from executing amendments to the said unlawfully altered articles of association of Shandong Shanshui, to invalidate or reverse the unlawful amendments. The January Injunction Orders remain in effect as of today.

On 7 April 2016, CNBM and ACC were joined as the Defendants to the Action, on the basis of a claim of conspiracy.

The Company also on 4 November 2016 obtained a worldwide injunction against the Zhangs (the "**Worldwide Mareva Injunction**") and issued a Summons on 7 November 2016 (the "**Plaintiffs' Summons**").

On 18 November 2016, the Worldwide Mareva Injunction was varied and directions were given by the High Court to the parties to file affidavit evidence for the disposal of the Plaintiffs' Summons. After the substantive hearing on 7 June 2017, the High Court discharged the Worldwide Mareva Injunction and granted a fresh domestic Mareva injunction order against the Zhangs on terms substantially the same as the Worldwide Mareva Injunction (the "**Domestic Mareva Injunction**").

On 29 May 2017, Shandong Shanshui was joined as the 4th Plaintiff to the Action to introduce a derivative claim against the Zhangs and LI Cheung Hung and further amendments were made to the Amended Statement of Claim.

Following the amendments to the Amended Statement of Claim, the parties filed a second round of pleadings (Re-Amended Defence or Amended Defence followed by the Amended Reply) except for the Zhangs (who only filed the acknowledgment of service indicating an intention to defend on 13 June 2017 and their defence on 18 September 2017).

All parties filed and exchanged their List of Documents and the Company has filed a supplemental list of documents on 29 September 2017. The parties have also exchanged witness statements.

The first case management conference took place on 19 April 2018 and all of the parties agreed for the action to be referred to a Listing Judge for the assignment of a Trial Judge. On 15 April 2019, the parties sent a joint letter to the Listing Officer, Civil to formally apply to have the action assigned to a Trial Judge. On 18 April 2019, the Honourable Mr. Justice Coleman of the Court of First Instance of the High Court was assigned as the Trial Judge of the action.

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

HCA 2880 of 2015 and CACV 91 of 2020 (Continued)

At the subsequent case management conference held on 17 July 2019, leave was granted to the parties to set down the action for trial before the Honourable Mr. Justice Coleman of the Court of First Instance of the High Court with 41 days reserved on 19 to 23 April 2021, 26 to 30 April 2021, 3 to 7 May 2021, 10 to 14 May 2021, 17 and 18 May 2021, 24 to 28 May 2021, 31 May 2021, 1 to 4 June 2021, 7 to 11 June 2021 and 15 to 18 June 2021. A further case management conference was held on 5 May 2020. The Pre-Trial Review was fixed for 11 November 2020.

On 11 March 2020, an order was made by the court to (inter alia) strike out certain paragraphs in the Company's pleadings as against the Zhangs in relation to the Company's claim concerning Qilu Property Co. Ltd. and to reduce the retrained sum of the Domestic Mareva Injunction to HK$24 million. On 8 April 2020, the Company lodged an appeal against the order to the Court of Appeal under CACV 91/2020. No hearing date has been fixed for the hearing of the appeal. Meanwhile, the reduction in the restrained sum is being stayed until 31 August 2020 or further order.

On 11 June 2020, leave was granted by the court to (inter alia) the parties to adduce expert evidence on various questions of Mainland Chinese law, and to the Zhangs to amend their Defence and to the Company to amend its Reply to the Amended Defence of the Zhangs.

There are currently three outstanding interlocutory applications in this action:

(1) The Company has issued a Summons on 27 March 2018 to (inter alia) appoint receivership over the 1st Defendant's shares in China Shanshui Investment Company (the "**Receivership Summons**"). Pursuant to the Order of Deputy High Court Judge Keith Yeung SC dated 3 May 2018, the hearing of the Receivership Summons is adjourned to a date to be fixed. No hearing date has been fixed yet.

(2) The Company has, pursuant to the Order of the Honourable Madam Justice Au-Yeung dated 13 July 2018, issued a Summons on 20 July 2018 for the continuation of the December Injunction Order and the January Injunction Order against the 2nd Defendant (the "**Continuation Summons**"). The Company filed their affirmation in support in October 2018 and the 2nd Defendant has yet to file his affirmation in opposition. The hearing of the Continuation Summons is adjourned to a date to be fixed with one day reserved. No hearing date has been fixed yet.

(3) The Plaintiffs have issued a Summons on 23 January 2020 to seek leave to amend the Re-Amended Statement of Claim and for a further Mareva Injunction against the Zhangs. The hearing was fixed for 31 August 2020.

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

HCA 762 of 2017

On 29 March 2017, the Company and its two subsidiaries (i.e. China Pioneer Cement (Hong Kong) Company Limited and Shandong Shanshui Cement Group Company Limited ("**Shandong Shanshui**")) commenced an action (HCA 762/2017) against the former senior management of Shandong Shanshui, namely MI Jingtian, CHEN Zhongsheng, ZHAO Liping, LI Maohuan and YU Yuchuan, for (inter alia) injunctive reliefs in relation to the conduct of the affairs of Shandong Shanshui. On 11 April 2017, the High Court of Hong Kong (the "**HK Court**") granted an injunction against the defendants, restricting them from (inter alia) holding themselves out as directors or officers of Shandong Shanshui, entering upon Shandong Shanshui's premises and removing from Shandong Shanshui's premises funds, chattels and other items; and a Mareva injunction against MI Jingtian, ZHAO Liping, LI Maohuan and YU Yuchuan (collectively, the "**Injunction Order**"). Following the HK Court's decision to set aside leave to the serve the writ in this action out of jurisdiction against the defendants, the Injunction Order was subsequently discharged on 19 July 2018.

For details, please refer to the announcements published by the Company on 30 March 2017, 12 April 2017, 21 April 2017, 25 April 2017, 1 June 2017 and 20 June 2017, respectively.

HCA 548 of 2019

On 29 March 2019, the Company announced that the Company together with its subsidiaries, China Shanshui Cement Group (Hong Kong) Company Limited, China Pioneer Cement (Hong Kong) Company Limited, and Shandong Shanshui Cement Group Company Limited (collectively, the "**Plaintiffs**") had commenced an action in the High Court of Hong Kong (the "**Hong Kong Court**"), against Tianrui (International) Holding Company Limited ("**Tianrui International**"), Tianrui Group Company Limited ("**Tianrui Group Co**"), Stephen LIU Yiu Keung, David YEN Ching Wai, Godwin HWA Guo Wai, CHONG Cha Hwa, LI Heping, LI Liufa, CHEUNG Yuk Ming, NG Qing Hai, LI Zhi Qiang, HO Man Kay, Angela, LAW Pui Cheung, WONG Chi Keung, CHING Siu Ming, LO Chung Hing, TSANG Wing Tai and Ernst & Young Transactions Limited (collectively, the "**Defendants**") in connection with:

(a) alleged unlawful means conspiracy, by acting in combination and in concert with one another with respect to breaches of fiduciary and other duties, dishonest assistance and/or criminal intimidation and violence, from around 2015 to 2018, with the intention of injuring the Plaintiffs in order to acquire control of the Plaintiffs, and illegitimately maximise economic benefit therefrom for the benefit of the Defendants and at the expense of the Plaintiffs; and

(b) various breaches of duties by the Defendants who are former directors and/or officers of the Company.

On 14 August 2019, three of the Defendants (Tianrui International, Tianrui Group Co and LI Liufa) filed an application with the Hong Kong Court to (i) set aside the service of the Writ of Summons on Tianrui International, and/or (ii) stay this proceeding pending the determination of the winding-up petition issued by Tianrui International against the Company in the Cayman Islands in FSD161/2018. The hearing of this application has been fixed for November 2020.

For further details, please refer to the announcement published by the Company on 29 March 2019.

3. MATERIAL LITIGATION IN THE PRC

As of the date of this report, there are 101 cases in which Shandong Shanshui has received the notice of the People's Court but has yet to close the case; using a litigation status of plaintiff, defendant or third party as standard, unsettled litigations of Shandong Shanshui can be divided into three categories.

(1) Unsettled litigations with Shandong Shanshui as defendants

There are 54 unsettled litigations with Shandong Shanshui as defendants, with the subject matter of the litigations approximately RMB443 million. Categorised by causes, there are 4 categories of unsettled litigations, with 3 cases of sales and purchase contract, 2 cases of equity dispute, 1 case of financial loan dispute, 1 case of agreement on contracted management of enterprise, and 47 cases of labour dispute. There are a total of 44 cases in the first instance, a total of 8 cases in the second instance, 1 case in the enforcement phase, and 1 case under retrial.

(2) Unsettled litigations with Shandong Shanshui as plaintiffs

There are 46 unsettled litigations with Shandong Shanshui as plaintiffs with the subject matter of the litigations approximately RMB24.17 million and all the cases are of labour dispute, with 43 cases in the first instance and 3 cases in the second instance.

(3) Unsettled litigations with Shandong Shanshui as third party

There is 1 unsettled litigation with Shandong Shanshui as third party. Categorised by causes, there is 1 unsettled litigation with Shandong Shanshui as third party, with 1 case of administrative handling dispute, of which 1 case is in the second instance.

4. PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules at the date of this report.

5. CONNECTED TRANSACTIONS

During the Reporting Period, the Company had no connected transaction or continuing connected transaction required to be disclosed under the Listing Rules.

Granting of Unsecured Loan

On 28 December 2016, the Company entered into a supplementary loan agreement with Tianrui Group, pursuant to which Tianrui Group has granted an unsecured loan to the Company to satisfy a bond due 2020 issued by the Company. Pursuant to the supplementary loan agreement, inter alia:

(1) Tianrui Group undertakes to settle the loan facility and the interest thereof pursuant to the Facility Agreement;

(2) Tianrui Group undertakes it will not request the repayment of the unsecured loan by the Company, in full or in part, prior to the settlement of the loan facility and the interest thereof by Tianrui Group; and

(3) In the event that there is any default in payment of the loan facility and the interest thereof, the Company agrees to settle such amount under the corporate guarantee and Tianrui Group undertakes to waive the payment obligation of the Company in full under the unsecured loan.

As of 30 June 2020, the Group in aggregate borrowed RMB1.638 billion on an interest-free basis from Tianrui Group which was mainly used to settle certain debts, including:

(1) Interest from 7.50% senior notes due 2020 amounted to US$89.91 million.

(2) Principal amount of and interest from any and all outstanding 8.50% senior notes due 2016 amounted to US$31.345 million.

(3) Purchase price of US$73.473 million paid in cash for purchasing 7.50% senior notes due 2020 issued overseas, representing 15% of the total amount of notes (US$484.971 million).

(4) Interest from ultra short term debenture amounted to RMB91.22 million.

(5) A borrowing amounted to RMB30.42 million for settling litigation costs.

As of 30 June 2020, outstanding borrowings of the Company from Tianrui Group was RMB910 million.

6. MATERIAL RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken in the normal course of business by the Group are set out in Note 25 to the condensed consolidated financial statements. None of the related party transactions constitutes a discloseable connected transaction under Chapter 14A of the Listing Rules.

(VII) Interim Financial Statements (Unaudited)
Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020 – Unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
Revenue	3, 4	**8,746,831**	9,440,723
Cost of sales		**(5,724,987)**	(6,159,135)
Gross profit		**3,021,844**	3,281,588
Other income	5	**201,421**	183,397
Reversal of impairment losses on trade receivables, net		**1,622**	2,282
Reversal of impairment losses on other receivables, net		**4,106**	2,031
Selling and marketing expenses		**(250,773)**	(274,092)
Administrative expenses		**(599,094)**	(752,872)
Other gains and losses	6	**87,916**	(72,778)
Expenses incurred during off-peak suspension		**(508,003)**	(430,992)
Profit from operations		**1,959,039**	1,938,564
Finance costs	7(a)	**(184,906)**	(243,812)
Share of results of associates		**9,171**	19,195
Profit before taxation		**1,783,304**	1,713,947
Income tax expense	8	**(459,250)**	(508,306)
Profit for the period		**1,324,054**	1,205,641
Attributable to:			
Equity shareholders of the Company		**1,296,631**	1,196,369
Non-controlling interests		**27,423**	9,272
Profit for the period		**1,324,054**	1,205,641
Earnings per share	9		
Basic *(RMB)*		**0.30**	0.27
Diluted *(RMB)*		**0.28**	0.27

The notes on pages 44 to 74 form part of these condensed consolidated financial statements.

(VII) Interim Financial Statements (Unaudited)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020 – Unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Profit for the period	**1,324,054**	1,205,641
Other comprehensive expense for the period		
Item that will not be reclassified to profit or loss:		
Exchange differences arising on translation from functional currency to presentation currency	**(15,981)**	(1,601)
	(15,981)	(1,601)
Total comprehensive income for the period	**1,308,073**	1,204,040
Attributable to:		
Equity shareholders of the Company	**1,280,650**	1,194,768
Non-controlling interests	**27,423**	9,272
Total comprehensive income for the period	**1,308,073**	1,204,040

The notes on pages 44 to 74 form part of these condensed consolidated financial statements.

(VII) Interim Financial Statements (Unaudited)

Condensed Consolidated Statement of Financial Position

At 30 June 2020 – Unaudited

(Expressed in Renminbi)

	Notes	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current assets			
Fixed assets	10		
– Property, plant and equipment		**15,677,791**	15,999,633
Right-of-use assets	10	**2,304,708**	2,331,767
		17,982,499	18,331,400
Intangible assets	10	**947,522**	930,613
Goodwill		**90,132**	90,132
Other financial assets		**109,269**	134,411
Interest in associates		**293,118**	312,342
Deferred tax assets		**178,811**	145,977
Other long-term assets		**762,217**	665,788
		20,363,568	20,610,663
Current assets			
Inventories	11	**2,226,406**	1,995,166
Trade and bills receivables	12	**2,427,384**	1,937,492
Other receivables and prepayments	13	**703,766**	690,966
Derivative component of convertible bonds	20	**264,491**	187,779
Restricted bank deposits	14	**44,396**	41,685
Bank balances and cash		**1,754,351**	1,364,054
		7,420,794	6,217,142
Current liabilities			
Bank loans – amount due within one year	15	**2,534,749**	2,814,920
Other borrowings	16	**99,909**	160,909
Current portion of long-term bonds	17	**737,000**	935,500
Trade payables	18	**4,011,402**	3,741,546
Other payables and accrued expenses	19	**2,529,432**	2,602,433
Contract liabilities		**769,991**	597,487
Taxation payable		**409,306**	311,745
Lease liabilities		**13,597**	17,196
		11,105,386	11,181,736
Net current liabilities		**(3,684,592)**	(4,964,594)
Total assets less current liabilities		**16,678,976**	15,646,069

(VII) Interim Financial Statements (Unaudited)

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2019 – Unaudited
(Expressed in Renminbi)

	Notes	**At 30 June 2020 RMB'000**	At 31 December 2019 RMB'000
Non-current liabilities			
Bank loans – amount due after one year	15	**847,000**	847,000
Other borrowings	16	**330,909**	331,818
Long-term bonds	17	**236,000**	436,000
Long-term payables		**246,944**	279,879
Defined benefit obligations		**122,120**	122,120
Deferred income		**226,346**	235,149
Convertible bonds	20	**606,679**	634,057
Lease liabilities		**68,466**	72,464
Deferred tax liabilities		**86,000**	87,143
		2,770,464	3,045,630
Net assets		**13,908,512**	12,600,439
Capital and reserves			
Share capital	21(a)	**295,671**	295,671
Share premium		**8,235,037**	8,235,037
Share capital and share premium		**8,530,708**	8,530,708
Other reserves		**5,247,142**	3,966,492
Total equity attributable to equity shareholders of the Company		**13,777,850**	12,497,200
Non-controlling interests		**130,662**	103,239
Total equity		**13,908,512**	12,600,439

The notes on pages 44 to 74 form part of these condensed consolidated financial statements.

(VII) Interim Financial Statements (Unaudited)
Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 – Unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserves *RMB'000*	Other reserves *RMB'000*	Exchange reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2019	295,671	8,235,037	1,501,792	268,501	(380,628)	(398,125)	9,522,248	64,088	9,586,336
Profit for the period	–	–	–	–	–	1,196,369	1,196,369	9,272	1,205,641
Other comprehensive expense	–	–	–	–	(1,601)	–	(1,601)	–	(1,601)
Total comprehensive (expense)/ income for the period	–	–	–	–	(1,601)	1,196,369	1,194,768	9,272	1,204,040
Transfer between reserves	–	–	867	–	–	(867)	–	–	–
Appropriation to maintenance and production funds	–	–	63,079	–	–	(63,079)	–	–	–
Utilisation of maintenance and production funds	–	–	(49,644)	–	–	49,644	–	–	–
Distribution to non-controlling interests	–	–	–	–	–	–	–	(16,126)	(16,126)
Balance at 30 June 2019	295,671	8,235,037	1,516,094	268,501	(382,229)	783,942	10,717,016	57,234	10,774,250
Balance at 1 January 2020	**295,671**	**8,235,037**	**1,737,397**	**268,501**	**(388,070)**	**2,348,664**	**12,497,200**	**103,239**	**12,600,439**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**1,296,631**	**1,296,631**	**27,423**	**1,324,054**
Other comprehensive expense	**–**	**–**	**–**	**–**	**(15,981)**	**–**	**(15,981)**	**–**	**(15,981)**
Total comprehensive (expense)/ income for the period	**–**	**–**	**–**	**–**	**(15,981)**	**1,296,631**	**1,280,650**	**27,423**	**1,308,073**
Transfer between reserves	**–**	**–**	**349**	**–**	**–**	**(349)**	**–**	**–**	**–**
Appropriation to maintenance and production funds	**–**	**–**	**52,712**	**–**	**–**	**(52,712)**	**–**	**–**	**–**
Utilisation of maintenance and production funds	**–**	**–**	**(35,214)**	**–**	**–**	**35,214**	**–**	**–**	**–**
Balance at 30 June 2020	**295,671**	**8,235,037**	**1,755,244**	**268,501**	**(404,051)**	**3,627,448**	**13,777,850**	**130,662**	**13,908,512**

The notes on pages 44 to 74 form part of these condensed consolidated financial statements.

(VII) Interim Financial Statements (Unaudited)
Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020 – Unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Operating activities			
Cash generated from operations		**2,080,458**	2,350,348
Interest paid		**(82,571)**	(200,534)
Income tax paid		**(395,666)**	(507,495)
Net cash generated from operating activities		**1,602,221**	1,642,319
Investing activities			
Payment of purchase of long-term assets		**(505,426)**	(682,417)
Payment for a previously-acquired subsidiary		**(15,000)**	(101,705)
Proceeds from reduction in capital of other financial assets		**24,500**	–
Proceeds from reduction in capital of an associate		**19,800**	–
Others		**20,307**	25,927
Net cash used in investing activities		**(455,819)**	(758,195)
Financing activities			
Proceeds from new loans and borrowings		**951,999**	1,401,455
Repayment of loans and borrowings		**(1,294,079)**	(1,728,959)
Repayment of long-term bonds		**(398,500)**	(476,423)
Repayments of lease liabilities		**(10,214)**	(15,083)
Others		**8,595**	(11,026)
Net cash used in financing activities		**(742,199)**	(830,036)
Net increase in cash and cash equivalents		**404,203**	54,088
Cash and cash equivalents at 1 January		**1,364,054**	1,303,943
Effect of foreign exchange rates changes		**(13,906)**	(2,233)
Cash and cash equivalents at 30 June, representing bank balances and cash		**1,754,351**	1,355,798

The notes on pages 44 to 74 form part of these condensed consolidated financial statements.

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

1 BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("**IAS 34**") "Interim Financial Reporting", issued by the International Accounting Standards Board ("**IASB**") as well as 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 interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company.

The auditor of the Company expressed a qualified opinion on the comparative information of the audited consolidated statements of profit or loss, profit or loss and other comprehension income, changes in equity and cash flows of the Group for the year ended 31 December 2019 and an unmodified opinion on the audited consolidated financial statements of the Group for the year ended 31 December 2019 in their report dated 20 March 2020.

Significant events and transactions in the Reporting Period

The COVID-19 outbreak and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. Save for the shut down of some subsidiaries in the first quarter each year due to seasonal factors, the shut down has been prolonged due to the impact of COVID-19 outbreak in 2020, and the mandatory quarantine measures imposed by the government also affected the transportation and delivery. However, the operations of subsidiaries of the Group have resumed to normal since March to April 2020 as the epidemic was properly controlled. In addition, the government of the People's Republic of China (the "**PRC**") has announced some financial measures and supports for enterprises to overcome the negative impact arising from the pandemic. As such there is no material impact on the financial positions and performance of the Group for the Reporting Period.

2 PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, the Amendments to References to the conceptual Framework in IFRSs and the following amendments to IFRSs issued by the IASB for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the conceptual Framework in IFRSs and the amendments to IFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to IFRSs (Continued)

2.2 Impacts and accounting policies on application of Amendments to HKFRS 3 "Definition of a Business"

2.2.1 Accounting policies

Business combinations

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

2.2.2 Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group.

Significant changes in significant judgements and key sources of estimation uncertainty

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Sales of cement	**6,966,619**	7,522,147
Sales of clinker	**948,861**	977,265
Sales of concrete	**602,913**	745,832
Sales of other products	**228,438**	195,479
	8,746,831	9,440,723

The Group's revenues for the six months ended 30 June 2020 and 2019 were generated in the PRC. Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

(b) Segment reporting

As the Group operates in a single business, the manufacturing and trading of cement, clinker and concrete in the PRC, the Group's risk and rates of return are affected predominantly by differences in the areas it operates.

The Group manages its businesses by geographical areas. Based on the manner in which information is reported internally to the executive directors of the Company, being the Group's chief operating decision maker ("**CODM**"), for the purposes of resource allocation and performance assessment, the Group has identified and presented the following four reportable segments based on the region in which the Group operates.

- Shandong Province – subsidiaries operating and located in the Shandong Province of the PRC.
- Northeastern China – subsidiaries operating and located in the Liaoning Province and Inner-Mongolia Autonomous Region of the PRC.
- Shanxi Province – subsidiaries operating and located in the Shanxi Province and Shaanxi Province of the PRC.
- Xinjiang Region – subsidiaries operating and located in the Kashi area of Xinjiang Uygur Autonomous Region of the PRC.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

– Segment assets include all tangible and intangible assets and current assets, with the exception of interests in associates, deferred tax assets, derivative component of convertible bonds and other corporate assets. Segment liabilities include trade payables, other payables and accrued expenses, bank loans and other borrowings managed directly by the segments and lease liabilities.

– Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

– Segment results represents profits, earned by each segment without allocation of head office administrative expenses, share of results of associates, waiver of interest expenses, gain/(loss) on fair value changes of financial assets at fair value through profit or loss ("**FVTPL**"), gain/(loss) on fair value changes of derivative component of convertible bonds, directors' remuneration, auditor's remuneration and finance costs in relation to the unallocated bank loans, other borrowings, long-term bonds and convertible bonds. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2020 and 2019 is set out below.

	2020					2019				
	Shandong Province *RMB'000*	Northeastern China *RMB'000*	Shanxi Province *RMB'000*	Xinjiang Region *RMB'000*	Total *RMB'000*	Shandong Province *RMB'000*	Northeastern China *RMB'000*	Shanxi Province *RMB'000*	Xinjiang Region *RMB'000*	Total *RMB'000*
For the six months ended 30 June										
Disaggregated by timing of revenue										
Point in time	5,710,194	1,655,132	1,105,797	272,079	8,743,202	6,596,928	1,428,268	1,042,147	370,081	9,437,424
Over time	2,991	334	304	–	3,629	2,731	220	348	–	3,299
Revenue from external customers	5,713,185	1,655,466	1,106,101	272,079	8,746,831	6,599,659	1,428,488	1,042,495	370,081	9,440,723
Inter-segment revenue	293,668	53,355	55,449	–	402,472	183,868	98,406	52,349	–	334,623
Reportable segment revenue	6,006,853	1,708,821	1,161,550	272,079	9,149,303	6,783,527	1,526,894	1,094,844	370,081	9,775,346
Reportable segment profit/(loss) (adjusted profit/(loss) before taxation)	1,736,109	75,168	248,088	104,684	2,164,049	1,774,222	(12,063)	213,785	158,941	2,134,885
As at 30 June/31 December										
Reportable segment assets	12,095,403	8,105,541	5,383,591	927,453	26,511,988	11,686,712	8,099,543	5,289,518	970,449	26,046,222
Reportable segment liabilities	5,431,631	1,751,552	694,779	139,575	8,017,537	5,847,580	1,547,028	645,887	190,986	8,231,481

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**2,164,049**	2,134,885
Elimination of inter-segment profit	**(286,709)**	(164,708)
Reportable segment profit derived from the Group's external customers	**1,877,340**	1,970,177
Share of results of associates	**9,171**	19,195
Waiver of interest expenses	**44,828**	65,327
(Loss)/gain on fair value changes of financial assets at FVTPL	**(642)**	3,107
Gain/(loss) on fair value changes of derivative component of convertible bonds	**73,532**	(71,664)
Unallocated finance costs	**(166,174)**	(196,213)
Unallocated head office and corporate expenses	**(54,751)**	(75,982)
Consolidated profit before taxation	**1,783,304**	1,713,947

4 SEASONALITY OF OPERATIONS

The Group generally experiences higher cement demands in the second half of the year compared to first half of the year due to construction season starts at second quarter of each year. As a result, the Group typically reports lower revenue and results in the first half of the year.

5 OTHER INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Interest income	**15,876**	10,929
Government grants *(note)*	**108,616**	90,548
Amortisation of deferred income	**8,803**	6,275
Waiver of interest expenses	**44,828**	65,327
Others	**23,298**	10,318
	201,421	183,397

Note: Government grants mainly represented tax refunds, subsidies and energy reduction incentives from local governments received by the Group during the period. There are no special conditions that are needed to be fulfilled for receiving such government grants.

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Net foreign exchange gain	**8,990**	3,212
Net gain from disposal of fixed assets	**8,220**	1,791
Net (loss)/gain on fair value changes on other financial assets at FVTPL	**(642)**	3,107
Gain/(loss) on fair value changes of derivative component of convertible bonds	**73,532**	(71,664)
Bad debt recovery	**4,162**	–
Others	**(6,346)**	(9,224)
	87,916	(72,778)

For the six months ended 30 June 2020

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans	**93,224**	120,199
Interest on other borrowings and long-term bonds	**45,728**	72,759
Interest on lease liabilities	**1,850**	1,767
Effective interest expense on convertible bonds	**37,781**	32,648
Less: capitalised interest expenses(*)	**–**	(221)
Net interest expenses	**178,583**	227,152
Unwinding of discount	**3,769**	4,662
Bank charges	**2,554**	11,998
	184,906	243,812

* The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation related to construction of plant was 5.48% for the six months ended 30 June 2019.

(b) Other items

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Depreciation		
– Property, plant and equipment	**632,301**	621,540
– Right-of-use assets	**37,312**	33,605
Amortisation		
– Intangible assets	**76,215**	72,277

8 INCOME TAX EXPENSE

Taxation in the condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Current tax expenses		
Provision for the PRC income tax	**483,567**	531,239
Underprovision in prior years	**283**	–
Deferred taxation	**(24,600)**	(22,933)
	459,250	508,306

(i) The Group's PRC subsidiaries are subject to PRC income tax at the statutory rate of 25% (six months ended 30 June 2019: 25%) unless otherwise specified.

(ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in those jurisdictions.

(iii) The Company and its subsidiaries incorporated in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (six months ended 30 June 2019: 16.5%). No provision for Hong Kong Profits Tax has been made as the Company and the subsidiaries incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax during the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

9 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Earnings figures are calculated as follows:		
Profit for the period attributable to owners of the Company and earnings for the purposes of basic earnings per share	**1,296,631**	1,196,369
Effect of dilutive potential ordinary shares		
Effective interest expense on convertible bonds	**37,781**	–
Gain on fair value changes of derivative component of convertible bonds	**(73,532)**	–
Earnings for the purpose of diluted earnings per share	**1,260,880**	1,196,369
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**4,353,966,228**	4,353,966,228
Effect of dilutive potential ordinary shares on convertible bonds	**93,004,769**	–
Weighted average number of ordinary shares for purpose of diluted earnings per shares	**4,446,970,997**	4,353,966,228

The computation of diluted earnings per share does not assume the exercise of the share options granted by the Company in 2011 and 2015 because exercise prices of these share options were higher than the average market price of the shares for both periods.

For the six months ended 30 June 2020, the computation of diluted earnings per share assumed the conversion of the Company's outstanding convertible bonds which are dilutive. For the six months ended 30 June 2019, the computation of diluted earnings per share had not taken into account of the potential ordinary shares on convertible bonds as the assumed conversion would be anti-dilutive and result in an increase in earnings per share.

10 FIXED ASSETS, RIGHT–OF–USE ASSETS AND INTANGIBLE ASSETS

(a) During the six months ended 30 June 2020, the additions of fixed assets, right-of-use assets with underlying assets of land lease prepayments and intangible assets of the Group amounted to RMB323,111,000 (six months ended 30 June 2019: RMB496,318,000), RMB10,251,000 (six months ended 30 June 2019: RMB17,029,000) and RMB 93,124,000 (six months ended 30 June 2019: RMB45,811,000), respectively. Items of fixed assets with net book value totalling RMB12,651,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2019: RMB13,206,000), resulting in a gain on disposal of RMB8,220,000 (six months ended 30 June 2019: RMB1,791,000).

(b) As at 30 June 2020, right-of-use assets with underlying assets of land lease prepayments carried at RMB23,259,000 (31 December 2019: RMB28,926,000) and plants and building carried at RMB76,067,000 (31 December 2019: RMB77,766,000) have been frozen by the PRC Court relating to other borrowings and long-term bonds which were overdue in previous years. Under the Court order, the Group may continue to use these assets in its business but is prohibited from selling or transferring the assets until the litigation is resolved.

(c) During the six months ended 30 June 2020, the Group entered into several new lease agreements with lease terms ranged from 1 to 50 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use assets of RMB765,000 (six months ended 30 June 2019: RMB2,367,000) and lease liabilities of RMB767,000 (six months ended 30 June 2019: RMB2,369,000).

11 INVENTORIES

	At 30 June 2020	At 31 December 2019
	RMB'000	*RMB'000*
Raw materials	**1,075,969**	751,405
Semi-finished goods	**494,571**	528,836
Finished goods	**206,202**	318,130
Spare parts	**449,664**	396,795
	2,226,406	1,995,166

12 TRADE AND BILLS RECEIVABLES

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Bills receivables	**1,204,971**	856,218
Trade receivables	**1,485,099**	1,345,582
Less: allowance for credit losses	**(262,686)**	(264,308)
	2,427,384	1,937,492

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date and net of allowance for credit losses, is as follows:

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Within 3 months	**1,482,291**	865,036
3 to 6 months	**312,373**	522,951
6 to 12 months	**363,573**	279,496
Over 12 months	**269,147**	270,009
	2,427,384	1,937,492

All of the trade and bills receivables (net of allowance for credit losses) are expected to be recovered within one year.

Generally, the Group requires full payment upon delivery of goods for sale of cement and clinker. Credit sales with general credit period of 30 to 60 days are occasionally allowed to certain selected customers with good credit histories and significant transaction amount. Settlement with bank acceptance notes with maturity within three to six months is also acceptable. For sales of pipes and concrete, the Group allows an average of credit period ranging from 90 days to 180 days.

13 OTHER RECEIVABLES AND PREPAYMENTS

	Note	**At 30 June 2020** *RMB'000*	At 31 December 2019 *RMB'000*
Deposit		**31,602**	24,707
Prepayments for raw materials		**116,183**	109,303
VAT recoverable		**74,405**	123,223
Amount due from related parties		**4,348**	7,962
Amount due from third parties		**341,810**	307,519
Others		**135,418**	118,252
		703,766	690,966

14 RESTRICTED BANK DEPOSITS

Restricted bank deposits as at 30 June 2020 include RMB29,665,000 (31 December 2019: RMB29,535,000) of cash deposits pledged to banks for the performance guarantee in relation to certain sales or purchases of cement, and RMB14,731,000 (31 December 2019: RMB12,150,000) of bank balances which have been frozen by the PRC Court pending the outcome of the legal proceedings initiated by the Group's creditors relating to other borrowings, long-term bonds and certain sales or purchase contracts. Further details of this litigation are set out in note 16.

The frozen cash and cash equivalents may not be used by the Group until the litigation is resolved.

15 BANK LOANS

The analysis of the carrying amount of bank loans is as follows:

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Bank loans – Secured (*)	**103,750**	150,950
Bank loans – Unsecured	**3,277,999**	3,510,970
	3,381,749	3,661,920

* These bank loans were pledged by certain right-of-use assets with underlying assets of land lease prepayments with an aggregate carrying amount of RMB4,127,000 (31 December 2019: RMB4,178,000) and plants and buildings with an aggregate carrying amount of RMB8,045,000 (31 December 2019: RMB8,223,000).

As at 30 June 2020, there is no default in bank loans repayment and accordingly, bank loans amounting to approximately RMB2,534,749,000 and RMB847,000,000, which are due for repayment before 30 June 2021 and after 30 June 2021, respectively, based on the scheduled repayment terms set out in the loan agreements, are classified as current and non-current liabilities, respectively as at 30 June 2020.

Bank loans due for repayment based on the scheduled repayment terms set out in the loan agreements are as follows:

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Within one year on demand	**2,534,749**	2,814,920
After one year but within two years	**847,000**	847,000
	3,381,749	3,661,920

16 OTHER BORROWINGS

The analysis of the carrying amount of other borrowings is as follows:

	Notes	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Loan from government – Unsecured	(i)	**1,818**	2,727
Short-term financing bills	(ii)	**429,000**	490,000
		430,818	492,727

Other borrowings due for repayable based on the repayment terms set out in the borrowing agreements are as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within one year on demand	**99,909**	160,909
After one year but within two years	**330,909**	330,909
After two years but within five years	**–**	909
	330,909	331,818
	430,818	492,727

Notes:

(i) The government loan was received by Liaoning Shanshui Gongyuan Cement Co., Ltd. for constructing an environmental friendly production line. The loan is unsecured, bears interest at one-year PRC deposit interest rate plus 0.30% (31 December 2019: one-year PRC deposit interest rate plus 0.30%) and is repayable in equal instalments from 2012 to 2021.

16 OTHER BORROWINGS (CONTINUED)

(ii) The short-term financing bills are issued by Shandong Shanshui Cement Group Company Limited ("**Shandong Shanshui**") and registered at Interbank Market Clearing House Co., Ltd. (the "**Shanghai Clearing House**"). As at 30 June 2020, the details of short-term financing bills are listed below:

Issuer	**Outstanding principal** *(RMB'000)*	**Issue date**	**Original maturity date**	**Original interest rates** *(per annum)*	**Original interest payment term**	**Interest rates after restructuring plans** *(per annum)*	**Remark**
Shandong Shanshui	190,000 (31/12/2019: 190,000)	14/04/2015	22/11/2015	5.30%	settled at the maturity date	7.70% (31/12/2019: 4.15%–7.70%)	Note
Shandong Shanshui	239,000 (31/12/2019: 300,000)	14/05/2015	12/02/2016	4.50%	settled at the maturity date	1.86%-6.49% (31/12/2019: 1.86%–6.49%)	N/A

Note: Based on further agreements entered into among the Group and the holders of these short-term financing bills, Shanghai Clearing House has cancelled the registration of the short-term financial bills on 12 June 2020.

The outstanding short-term financing bills with principal of RMB429,000,000 (31 December 2019: RMB490,000,000) carry interest rate at 1.86% to 7.70% (31 December 2019: 1.86% – 7.70%) per annum.

In previous years, the Group negotiated with holders of the short-term financing bills to restructure the repayment terms. Under the restructuring plans, the holders of the short-term financing bills (mainly PRC banks and financial institutions) have agreed to waive portion of interest and penalty interest accrued on the principal amount of the short-term financing bills up to the date of the restructuring plan on the condition that the Group repays the outstanding liabilities according to the revised repayment schedule. As at 30 June 2020, there is no default in repayment of other borrowings and accordingly, portion of interest related to short-term financing bills of RMB6,107,000 has been waived and recognised as other income in profit or loss during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB19,485,000).

Certain assets of the Group have been frozen by the PRC Courts in respect of the litigations relating to other borrowings, long-term bonds and certain sales or purchase contracts. As at 30 June 2020, cash and cash equivalents of RMB14,731,000 (31 December 2019: RMB12,150,000), right-of-use assets with underlying assets of land lease prepayments of RMB23,259,000 (31 December 2019: RMB28,926,000) and fixed assets of RMB76,067,000 (31 December 2019: RMB77,776,000) have been frozen by the PRC courts.

17 LONG-TERM BONDS

	At 30 June 2020	At 31 December 2019
	RMB'000	*RMB'000*
Medium-term notes	**973,000**	1,371,500
Less: Current portion of medium-term notes	**(737,000)**	(935,500)
Long-term bonds, less current portion	**236,000**	436,000

All of the long-term bonds are carried at amortised cost. The details of long-term bonds are listed below:

Issuer	**Outstanding principal** *(RMB'000)*	**Issue date**	**Original maturity date**	**Original interest rates** *(per annum)*	**Original interest payment term**	**Interest rates after restructuring plans** *(per annum)*
Medium-term notes issued in the PRC inter-bank market						
Shandong Shanshui	649,000 (31/12/2019: 784,000)	18/01/2013	21/01/2016	5.44%	annually	0%–5.44% (31/12/2019: 0%–5.44%)
Shandong Shanshui	301,000 (31/12/2019: 502,500)	27/02/2014	27/02/2017	6.10%	annually	0%–6.10% (31/12/2019: 0%–6.10%)
Shandong Shanshui	23,000 (31/12/2019: 85,000)	09/05/2014	12/05/2017	6.20%	annually	0%–6.20% (31/12/2019: 0%–6.20%)

17 LONG-TERM BONDS (CONTINUED)

The outstanding medium-term notes with principal of RMB35,000,000 (31 December 2019: RMB107,500,000) is interest free and principal of RMB938,000,000 (31 December 2019: RMB1,264,000,000) carry interest at 5.44% – 6.20% (31 December 2019: 5.44% – 6.20%) per annum.

In previous years, the Group negotiated with holders of the medium-term notes to restructure the repayment terms. Under the restructuring plans, the holders of the medium-term financing bills (mainly PRC banks and financial institutions) have agreed to waive portion of the interest and penalty interest accrued on the principal amounts of the medium-term notes up to the date of the restructuring plan on the condition that the Group repays the outstanding liabilities according to the revised repayment schedule. As at 30 June 2020, there is no default in repayment of long-term bonds and accordingly, portion of interest related to medium-term notes of RMB38,721,000, has been waived and recognised as other income in profit or loss during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB45,842,000).

Certain assets of the Group have been frozen by the PRC Court in respect of the litigation of the medium-term notes (see note 16).

18 TRADE PAYABLES

As at the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	At 30 June 2020	At 31 December 2019
	RMB'000	*RMB'000*
Within 3 months	**2,360,142**	2,145,100
3 to 6 months	**486,334**	530,975
6 to 12 months	**472,509**	380,924
Over 12 months	**692,417**	684,547
	4,011,402	3,741,546

As at 30 June 2020 and 31 December 2019, all trade payables of the Group are repayable on demand. All trade payables are expected to be settled within one year.

As at 30 June 2020, certain suppliers and third parties have initiated lawsuits against the Group to demand immediately settlement of trade payables with carrying amount of RMB152,074,000 (31 December 2019: RMB182,204,000) plus interest for late payment, if any. As of the date of the approval of these condensed consolidated financial statements, certain litigations related to trade payables with carrying amount of RMB82,856,000 (31 December 2019: RMB99,891,000) have been judged by the PRC Court, with the Court ordering the Group to settle the trade payables, the related interest, penalty interest and expenses incurred during the litigation. Certain litigations related to trade payables with carrying amount of RMB69,218,000 (31 December 2019: RMB82,313,000) are still in progress.

The management are continuing to negotiate with the suppliers to settle these amounts out of court. No adjustments have been made to the condensed consolidated financial statements to accrue for any potential interest or other penalties that may arise through the Courts if the negotiations are not successful, as the directors of the Company consider that the eventual outcome of these litigations cannot presently be determined, given their preliminary status.

19 OTHER PAYABLES AND ACCRUED EXPENSES

	Notes	**At 30 June 2020** **RMB'000**	At 31 December 2019 RMB'000
Accrued payroll and welfare		**282,397**	356,218
Taxes payable other than income tax payable		**46,704**	85,851
Staff compensation and termination provisions		**157,432**	162,154
Amounts due to related parties		**943,716**	936,737
Payables to former shareholders of acquired subsidiaries		**91,840**	93,054
Acquisition consideration payable	(i)	**49,820**	64,820
Current portion of long term payables		**1,248**	1,287
Accrued expenses and other payables	(ii)	**956,277**	902,312
		2,529,434	2,602,433

Notes:

(i) Included in the balance are amounts payable for the acquisition of Xinghao Cement Co., Ltd. ("**Xinghao Cement**"), Dalian Heyuan Investment Management Co., Ltd. and Liaocheng Meijing Zhongyuan Cement Co., Ltd. ("**Liaocheng Meijing Zhongyuan Cement**") amounting to RMB1,705,000, RMB5,000,000 and RMB30,678,000, respectively (31 December 2019: RMB1,705,000, RMB20,000,000 and RMB30,678,000, respectively). The previous shareholders of Liaocheng Meijing Zhongyuan Cement have sued the Group to settle the unpaid acquisition consideration payable plus interest for late payment. Up to the date of approval of these condensed consolidated financial statements, the litigation related to Liaocheng Meijing Zhongyuan Cement is still in progress.

(ii) Included in accrued expenses and other payables are interest payables, payable for mine management, contract guarantee received of RMB377,622,000, RMB126,006,000 and RMB104,005,000, respectively (31 December 2019: RMB430,672,000, RMB126,006,000 and RMB92,337,000, respectively).

As at 30 June 2020, certain suppliers and third parties have lawsuits against the Group to demand immediate settlement of other payables with carrying amount of RMB178,184,000 (31 December 2019: RMB181,470,000) plus interest for late payment, if any. As of the date of the approval of these condensed consolidated financial statements, certain litigations related to other payables with carrying amount of RMB15,010,000 (31 December 2019: RMB53,481,000) have been judged by the PRC Court, with the Court ordering the Group to settle the other payables, the related interests, penalty interest and expenses incurred during the litigation. Certain litigation related to other payables with carrying amount of RMB163,174,000 (31 December 2019: RMB127,989,000) are still in progress.

20 CONVERTIBLE BONDS

On 6 August 2018 and 30 August 2018, the Company and independent subscribers ("**CB Subscribers**") entered into agreements (the "**CB Agreements**"), pursuant to which the Company has conditionally agreed to issue, and the CB Subscribers have conditionally agreed to subscribe for the convertible bonds ("**CB**") in the aggregate principal amounts of US$210,900,000 and US$320,700,000 respectively (equivalent to approximately RMB1,444,665,000 and RMB2,196,795,000 respectively). The CB Agreements were completed on 8 August 2018 and 3 September 2018 (the "**Issue Dates**"). The initial conversion price is HK$6.29 per share.

The CB, shall upon their issuance, constitute a direct, unconditional, unsecured and unsubordinated obligation of the Company and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes and certain other statutory exceptions) with all other unsecured and unsubordinated obligations of the Company.

The CB holder has the right to convert the principal amount of the CB into fully-paid ordinary shares of the Company at any time during the period commencing upon (i) the grant of approval for the listing of and permission to deal in the conversion shares by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), with such approval being unconditional or subject to conditions to which neither the CB issuer and CB Subscribers shall reasonably object; or (ii) the cancellation of listing; and ending on and including, the date falling on the seven business days prior to the maturity date of the CB.

Unless previously redeemed, converted or purchased and cancelled, the CB holders shall have the right, to be exercised in its sole discretion, to require the Company to redeem all of the outstanding principal amount of the CB that it holds at the early redemption amount (which equals 110% of the outstanding principal amount of the CB) plus accrued interest in respect of the outstanding principal amount of the CB, upon the occurrence of a triggering event (the change of control of the Company as defined under the Takeover Code or material change of the use of proceed).

The Company has the right to convert the outstanding principal amount of the CB into fully-paid ordinary shares of the Company at any time during the period commencing from 19th month following the issue date and up to inclusive of 7 business days prior to the maturity date of 7 August 2020 and 2 September 2021 upon (i) the grant of approval for the listing of and permission to deal in the conversion shares by the Listing Committee of the Stock Exchange, with such approval being unconditional or subject to conditions to which neither the Company nor Subscriber shall reasonably object; or (ii) the cancellation of listing. In the event that the Company elects to exercise the conversion right, it shall pay to each CB holder an amount equal to the interest that would have accrued on the CB of the holder from the date on which the Company elects to exercise the conversion right (the "**Company Conversion Date**") to the next anniversary date after the Company Conversion Date.

Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem the whole of the outstanding CB on the maturity date at an amount equal to 100% of the outstanding principal amount of the CB plus accrued interest in respect of the outstanding principal amount of the CB by delivering a notice to each CB holder.

20 CONVERTIBLE BONDS (CONTINUED)

The CB contains two components, debt component and derivatives (including conversion and early redemption options) component. The effective interest rate of the debt component is 13% (31 December 2019: 13%). The derivative components are financial assets or financial liabilities because the early redemption options is non-closely related to the economic characteristics and risks of the host. Hence, the conversion option is not an equity component. These derivatives are measured at fair value with charges in fair value subsequent to the initial recognition recognised in profit or loss.

On 6 October 2018, the Company entered into deed of amendments with the CB Subscribers to amend the terms of CB to allow for early conversion of certain CB at the option of the issuer, during the period commencing on (and including) the date on which the listing of the shares issued upon early conversion has been approved by the Stock Exchange and the issuance of the early conversion shares has been approved by the shareholders of the Company. CB of US$456,600,000 in principal amount out of the total outstanding principal amount of the CB of US$531,600,000 was converted into fully paid ordinary shares on 30 October 2018. The outstanding principal amount of the CB is US$75,000,000 as at 30 June 2020 and 31 December 2019, which will mature on 2 September 2021.

The movement of the components of the convertible bonds during the six months ended 30 June 2020 is set out below:

	Debt component *RMB$'000*	**Derivative component** *RMB$'000*	**Total** *RMB$'000*
At 1 January 2019 (audited)	**633,100**	**(246,204)**	**386,896**
Interest charge	**32,648**	**–**	**32,648**
Interest paid	**(30,106)**	**–**	**(30,106)**
Fair value change	**–**	**71,664**	**71,664**
Exchange realignment	**(1,555)**	**1,571**	**16**
At 30 June 2019 (unaudited)	**634,087**	**(172,969)**	**461,118**
At 1 January 2020 (audited)	**634,057**	**(187,779)**	**446,278**
Interest charge	**37,781**	**–**	**37,781**
Interest paid	**(74,349)**	**–**	**(74,349)**
Fair value change	**–**	**(73,532)**	**(73,532)**
Exchange realignment	**9,190**	**(3,180)**	**6,010**
At 30 June 2020 (unaudited)	**606,679**	**(264,491)**	**342,188**

The debt component of convertible bonds is classified as non-current liabilities while the derivative component is classified as current assets in the condensed consolidated financial statements as at 30 June 2020.

The fair values of the Group's derivative components at 30 June 2020 and 31 December 2019 have been arrived at on the basis of a valuation carried out by GW Financial Advisory Services Limited, an independent qualified professional valuer not connected to the Group on the respective dates. The fair value was determined based on Monte-Carlo model. The key input used in the model are disclosed in note 22.

21 CAPITAL, RESERVES AND DIVIDEND

(a) Share capital

	30 June 2020 and 31 December 2019	
	Number of shares	**RMB equivalent** *RMB'000*
Ordinary shares of the Company of USD0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	10,000,000,000	701,472
Issued and fully paid:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	4,353,966,228	295,671

(b) Dividend

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and liabilities.

(i) Fair value measurement and valuation process

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The management of the Group will determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

(ii) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 30/06/2020 *RMB'000*	Fair value as at 31/12/2019 *RMB'000*	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to the fair value
1 Equity securities listed in the PRC classified as financial assets at FVTPL	6,582	7,224	Level 1	Quoted bid prices in an active market	N/A	N/A
2 Unquoted equity investments in PRC non-listed companies classified as financial assets at FVTPL	16,161	40,661	Level 3	Adjusted net asset value	The fair value of net assets of the investees	The higher in the net asset value, the higher the fair value.
3 Derivative component of convertible bonds	264,491	187,779	Level 3	Monte-Carlo method	Expected volatility: 43% (31 December 2019: 42%)	The higher the expected volatility, the lower the fair value.
					Risk-free rate: 0.17% (31 December 2019: 1.57%)	The higher the risk-free rate, the higher the fair value.

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Reconciliation of level 3 fair value measurements

	Unlisted equity securities *RMB'000*	Derivative component of convertible bonds *RMB'000*
At 1 January 2019 (audited)	44,252	246,204
Payments for acquisitions	315	–
Fair value gain/(loss) (included in profit or loss)	2,684	(71,664)
Exchange realignment	–	(1,571)
At 30 June 2019 (unaudited)	47,251	172,969
At 1 January 2020 (audited)	40,661	187,779
Proceeds from reduction of capital of other financial assets	(24,500)	–
Fair value gain (included in profit or loss)	–	73,532
Exchange realignment	–	3,180
At 30 June 2020 (unaudited)	16,161	264,491

(iv) Fair values of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their corresponding fair values.

23 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2020 not provided for in the condensed consolidated financial statements were as follows:

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Capital expenditure in respect of the acquisitions of fixed assets authorised and contracted for but not provided for in the condensed consolidated financial statements	**199,093**	324,888

24 CONTINGENT LIABILITIES AND OTHER EVENTS

(a) Litigation contingencies

As at 30 June 2020, several litigation claims were initiated by the customers against the Group to demand immediate repayment of the outstanding balance in relation to certain cement and other products sales contracts with an aggregate amount of RMB14,919,000 (31 December 2019: RMB14,043,000) which have yet been concluded. In addition, several litigation claims were initiated by the employees and former employees against the Group in relation to labor disputes with an aggregate amount of approximately RMB7,562,000 (2019: RMB537,000) which have yet been concluded. No provision for these litigation claims was made in the interim financial report during the six months ended 30 June 2020 as in the opinion of the Directors, the possibility of an outflow of economic resources is remote.

24 CONTINGENT LIABILITIES AND OTHER EVENTS (CONTINUED)

(b) Litigation in the Cayman Islands

The Company is facing a winding-up petition (the "**Cayman Petition**") before the Grand Court of the Cayman Islands (the "**Grand Court**"). The Cayman Petition was filed by one of the shareholders of the Company, Tianrui (International) Holding Company Limited ("**Tianrui**"). The Company has appointed legal counsel to represent it to oppose the Cayman Petition.

On 21 March 2019, the Company announced that it was considering applying for a validation order (the "**VO Application**") from the Grand Court to sanction the deposit of share certificates into the Central Clearing and Settlement System ("**CCASS**") of Hong Kong, and asking shareholders who wish to have their share certificates included in any such application for a validation (the "**Requesting Shareholders**") to submit a written request to the Company. On 29 March 2019 (Cayman Islands time), the Company made the VO Application to the Grand Court to, among others, validate the transfer of shares held by the Requesting Shareholders to HKSCC Nominees Limited, the common nominee for shares deposited in CCASS. On 12 September 2019, the Grand Court granted the VO Application and ordered (among other things) the validation of any transfer of shares to HKSCC Nominees Limited by the Company's shareholders and that any such transfer shall not be avoided in the event of any order for the winding-up of the Company (the "**Share Transfer Order**"). On the same day that the judgment was handed down, the Grand Court also granted the petitioner, Tianrui, leave to appeal against its decision to the Court of Appeal. On 18 February 2020 (Cayman Islands time), the Court of Appeal allowed this appeal and reversed the Share Transfer Order. The Company is seeking leave to appeal against the Court of Appeal's decision, and continues to vigorously dispute the Cayman Petition, which it believes to be without merits.

The Company was served on 4 June 2019 with a Writ of Summons issued on 27 May 2019 in the Grand Court (the "**Writ**"). The Writ has been issued also by Tianrui, seeking (i) orders setting aside the Company's issue of certain convertible bonds, issued on or about 8 August 2018 and 3 September 2018, the subsequent conversion of the bonds on 30 October 2018 and/or the allotment of the Company's shares to the holders of such convertible bonds; and/or declarations setting aside the issue and subsequent conversion of the bonds. The Company considers that there is no reasonable basis for the orders and/or declarations sought and will vigorously defend itself against the Writ and Tianrui's claim.

On 12 August 2019, the Company filed applications with the Grand Court to, among others, (i) strike out the Cayman Petition and the Writ, and/or (ii) stay both proceedings (the "**Applications**"). On 6 April 2020 (Cayman Islands time), the Grand Court dismissed the Applications, and as a result, the two proceedings will continue. The Company has filed an application for leave to appeal against the Grand Court's decision.

Other than the disclosure of above, as at 30 June 2020, as far as the Group was aware, the Group had no other material litigation or claim which was pending or threatened against the Group. As at 30 June 2020, the Group was the defendant of certain non-material litigations, and also a party to certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the Directors believe that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

25 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties of the Group

		Six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
Recurring transactions			
Sales to:			
– Liaoning Yunding Cement Group Co., Ltd. ("**Yunding Cement**")		**405,259**	202,564
– Dong'e Shanshui Dongchang Cement Co., Ltd. ("**Dong'e Shanshui**")		**45**	8
– Chifeng Taiying Cement Management Co., Ltd. ("**Taiying Cement**")		**–**	491
	(i)	**405,304**	203,063
Purchase from:			
– Zhongjiancai Hefei (Hefei) Engineering Co., Ltd. ("**Zhongjiancai Hefei**")		**693**	–
	(i)	**693**	–
Service and management fee paid:			
– Zibo Lianhe Cement Enterprise Management Co., Ltd ("**Lianhe Cement**")		**2,739**	2,892
– Zibo Banyang Limestone Enterprise Management Co., Ltd ("**Banyang Limestone**")		**15,115**	14,174
– Yunding Cement		**3,602**	207
– Shandong Herong		**2,902**	–
– Kashi Lianhe Huize Consultancy Service Limited ("**Lianhe Huize**")		**–**	825
– Taiying Cement		**–**	183
– Xinganmeng Jixing Cement Joint Operation Co., Ltd.		**–**	1,385
		24,358	19,666

Note:

(i) The directors of the Company are of the opinion that the sales of coal and clinker to the related parties and purchases of clinker from related parties were conducted on normal commercial terms and in the ordinary course of business of the Group.

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	Note	**At 30 June 2020** ***RMB'000***	At 31 December 2019 *RMB'000*
Trade receivables due from:			
– Dong'e Shanshui		**389**	199
		389	199
Other receivables due from:			
– Banyang Limestone		**3,000**	3,000
– China Shanshui Investment		**787**	776
– Dong'e Shanshui		**30**	20
– Lianhe Cement		**97**	4,020
– Mengjixing Cement		**193**	1
– Yunding Cement		**241**	–
– Chifeng Cement		**–**	120
– Zhongxin Cement		**–**	25
		4,348	7,962
Other payables due to:			
– Banyang Limestone		**29,517**	34,717
– Dong'e Shanshui		**14**	3
– Lianhe Cement		**3,720**	981
– Tianrui Group	(i)	**910,464**	897,539
– Chifeng Heying Cement		**–**	1,321
– Mengjixing Cement		**–**	676
– Zhongxin Cement		**–**	1,500
		943,715	936,737

Note:

(i) These relate to loans from Tianrui Group. As at 30 June 2020, the outstanding loans with total principal of RMB910,464,000 (31 December 2019: RMB897,539,000) are interest free.

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors.

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Salary, allowances and other benefits	**4,803**	3,667
Contribution to defined contribution retirement plans	**1,098**	306
	5,901	3,973

I. INTERIM DIVIDEND

The Board did not declare the payment of any interim dividend for the six months ended 30 June 2020.

II. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities during the Reporting Period.

III. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining good corporate governance standards.

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules.

During the Reporting Period, the Board was not aware of any information which would indicate that the Company did not comply with the code provisions of the CG Code unless otherwise indicated.

Chairman and Chief Executive Officer

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

The Company did not appoint any Chief Executive Officer and Mr. CHANG Zhangli, the Chairman, undertakes the responsibilities of the Chief Executive Officer. In allowing the two positions to be occupied by the same person, the Company has considered that both positions require in-depth knowledge and considerable experience of the Group's business. Candidates with the requisite knowledge, experience and leadership are difficult to identify. If either of the positions is occupied by an unqualified person, the Group's performance could be gravely compromised. Besides, the Board believes that the balance of power and authority will not be impaired by such arrangement as it is adequately ensured by the Board which comprises experienced and high calibre individuals (including executive Directors and independent non-executive Directors).

IV. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a set of Code of Conduct for Securities Transactions by Directors ("**Code of Conduct**"), the terms of which are not less exacting than the Model Code. Having made specific inquiries to all Directors, all Directors confirmed that they have complied with the Code of Conduct throughout the Reporting Period.

V. REVIEW OF INTERIM RESULTS AND REPORT BY AUDIT COMMITTEE

The audit committee comprises the three independent non-executive Directors of the Company who reviewed the unaudited interim results and report of the Group for the six months ended 30 June 2020 and discussed with the Company's management regarding risk management, internal control and other important matters.

VI. CHANGES IN INFORMATION OF DIRECTORS

Pursuant to the disclosure requirement of Rule 13.51B(1) of the Listing Rules, the changes in information on Directors is set out below:

1. Pursuant to the service contract entered into between the Company and Ms. WU Ling-ling, an executive Director of the Company, Ms. WU Ling-ling's remuneration as an executive Director shall be no more than HK$3 million per year, which is determined with reference to the salary paid by the comparable companies and her experience, duty and performance.

2. Pursuant to the service contract entered into between the Company and Mr. CHANG Ming-cheng, an independent non-executive Director of the Company, Mr. CHANG Ming-cheng's remuneration as an independent non-executive Director shall be no more than HK$1.5 million per year, which is determined with reference to the salary paid by the comparable companies and his experience, duty and performance.

VII. AMENDMENTS TO MEMORANDUM AND ARTICLES OF ASSOCIATION

During the Reporting Period, no amendments were made to the Memorandum and Articles of Association of the Company. For the latest version of the Memorandum and Articles of Association of the Company, please refer to the websites of the Company and the Stock Exchange.