



CHINA SHANSHUI CEMENT GROUP LIMITED 中國山水水泥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 691

2021 Interim Report



Contents

(I)	Definitions	2
(II)	Corporate Information	4
(III)	Key Data	6
(IV)	Management Discussion and Analysis	7
(V)	Share Capital and Shareholdings of Substantial Shareholders and the Directors	25
(VI)	Major Events	31
(VII)	Interim Financial Statements (Unaudited)	39
(VIII)	Miscellaneous	75

(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 2021 to 30 June 2021
“Board”	the Board of Directors of the Company
“Director(s)”	the Director(s) 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

Mr. HOU Jianguo (*Appointed as an executive Director on 29 May 2021*)

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

Mr. HOU Jianguo (*Appointed as a member on 29 May 2021*)

Nomination Committee

Mr. HSU You-yuan (*Chairman*) (*Appointed as the chairman on 29 May 2021*)

Mr. Chang Zhangli (*Resigned as the chairman and member on 29 May 2021*)

Ms. WU Ling-ling

Mr. HOU Jianguo (*Appointed as a member on 29 May 2021*)

Mr. CHANG Ming-cheng

Mr. LI Jianwei

(II) Corporate Information (Continued)

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 | : | http://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
<i>(Registered Public Interest Entity Auditor under
the Financial Reporting Council Ordinance)</i> |

(III) Key Data

1. KEY FINANCIAL DATA

(Unit: RMB'000)

	January to June 2021	January to June 2020
Revenue	10,392,021	8,746,831
Gross profit	2,994,252	3,021,844
Gross profit margin	28.8%	34.5%
Profit from operations	1,688,409	1,959,039
Profit margin from operations	16.2%	22.4%
EBITDA	2,449,579	2,714,038
EBITDA margin	23.6%	31.0%
Profit for the period	1,251,489	1,324,054
Profit attributable to equity shareholders of the Company	1,203,545	1,296,631
Basic earnings per share (RMB) (Note)	0.28	0.30
Net cash generated from operating activities	2,020,965	1,602,221

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.

	30 June 2021	31 December 2020
Total assets	28,305,502	27,677,443
Total liabilities	11,191,594	11,795,426
Equity attributable to equity shareholders of the Company	16,909,394	15,702,798
Net gearing ratio (Note)	8.4%	13.9%

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

2. KEY BUSINESS DATA

	January to June 2021	January to June 2020
Sales volume of cement ('000 tonnes)	25,145	20,590
Sales volume of clinker ('000 tonnes)	3,992	3,698
Sales volume of concrete ('000 m ³)	1,454	1,284
Unit selling price of cement (RMB/tonne)	338.2	341.0
Unit selling price of clinker (RMB/tonne)	263.5	258.1
Unit selling price of concrete (RMB/m ³)	409.6	472.3

(IV) Management Discussion and Analysis

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW

In the first half of 2021, faced with the complicated and volatile environment at home and abroad, the Chinese government has continued to consolidate and expand the achievements in pandemic prevention and control and economic and social development, and implemented targeted macro policies, resulting in a stable economic recovery, continuous rebound in production demand, stable employment and prices, rapid growth of new driving forces, steady improvement in quality and efficiency, and positive expectations of market players. The main macro indicators were in a reasonable range and the economic development was in a stable and positive trend.

In the first half of 2021, China's GDP was RMB53,216.7 billion. By quarters, in the first quarter, a YOY growth of 18.3% was recorded, and in the second quarter, a YOY growth of 7.9% was recorded, seeing a continuous recovery and increase. China's fixed assets investment (excluding rural households) amounted to RMB25,590 billion, representing a YOY increase of 12.6%, and the infrastructure investment in the first half of the year recorded a YOY increase of 7.8%, representing a slight decrease as compared to that in January to May; the investment in the manufacturing recorded a YOY increase of 19.2%, representing an increase of 1.4 percentage points as compared with that in January to May; and the investment in real estate development recorded a YOY increase of 15.0%. The sales area of commercial buildings in China amounted to 886,350,000 square meters, representing an increase of 27.7%, and the sales amounts of commercial buildings amounted to RMB9,293.1 billion, representing a YOY increase of 38.9%. **(Source: National Bureau of Statistics of China)**

In the first half of 2021, China achieved remarkable results in both coordinating the pandemic prevention and control and promoting economic work. It has basically won the day in the pandemic prevention and control. The economy recovered steadily and was strengthened under stable operation, with GDP growing by 12.9% year-on-year and by 5.3% on a two-year average growth basis. The cement industry as a whole continued to boom, with strong demand of downstream industry and an obvious increase in production. The national cement output hit an all-time high for the corresponding periods, with the cumulative cement output in the country reaching 1,147 million tonnes, representing a YOY increase of 14.1%. In terms of the two-year average growth rate, the cumulative cement production in the country maintained a relatively stable growth in the first half of the year, with a two-year average growth rate of approximately 4.2%.

Cement prices rose first and then fell, which were basically the same as that of the previous year. Following the off season of cement industry from January to March in the first half of the year, the cement demand reached its peak in April and May, followed by the seasonal off season, with cement prices rising first and then falling. In the first half of the year, the average price of cement was RMB461.3 per tonne, which was basically the same as RMB461.5 per tonne in the corresponding period of 2020. However, affected by the sharp rise in the cost of thermal coal, the cost of cement soared, so the performance was likely to decline. In the first half of the year, the price of thermal coal has gone up, and the profits of downstream enterprises were under pressure. The average price of thermal coal in the first half of 2021 was RMB816.5 per tonne, representing a significant increase of 50.4% from RMB542.8 per tonne in the same period last year. The profit of cement industry was expected to be around RMB75 billion in the first half of the year, representing a YOY decrease of 2.4%. **(Source: Digital Cement)**

(IV) Management Discussion and Analysis (Continued)

2. COMPANY'S BUSINESS REVIEW

In the first half of 2021, 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 2021, the Group had a total production capacity of 94.97 million tonnes of cement, 50.47 million tonnes of clinker and 17.1 million cubic meters of concrete.

During the Reporting Period, the Group's total sales of cement and clinker were 29,137,000 tonnes, representing a YOY increase of 20.0%; sales volume of concrete was 1,454,000 cubic meters, representing a YOY increase of 13.2%; sales revenue was RMB10,392,021,000, representing a YOY increase of 18.8%; and the profit for the period was RMB1,251,489,000, representing a YOY decrease of 5.5%.

(I) Business analysis

1. Sales revenues and their respective YOY changes

(Unit: RMB'000)

Product	January–June 2021		January–June 2020		Sales revenue YOY change
	Sales revenue	proportion	Sales revenue	proportion	
Cement	8,460,283	81.4%	6,966,619	79.6%	21.4%
Clinker	1,054,833	10.2%	948,861	10.8%	11.2%
Concrete	591,526	5.7%	602,913	6.9%	(1.9)%
Others	285,379	2.7%	228,438	2.6%	24.9%
Total	10,392,021	100%	8,746,831	100.0%	18.8%

During the Reporting Period, the Group's sales revenue increased by 18.8% to RMB10,392,021,000. With regard to revenue breakdown by products, cement revenue amounted to RMB8,460,283,000, representing a YOY increase of 21.4%, and clinker revenue amounted to RMB1,054,833,000, representing a YOY increase of 11.2%. The revenue from concrete amounted to RMB591,526,000, representing a YOY decrease of 1.9%.

(IV) Management Discussion and Analysis (Continued)

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 2021 (<i>'000 tonnes</i>)	Sales volume from January to June 2020 (<i>'000 tonnes</i>)	Sales volume change	Unit selling price from January to June 2021 (<i>RMB/tonne</i>)	Unit selling price from January to June 2020 (<i>RMB/tonne</i>)	Change in unit selling price
Cement	25,145	20,590	22.1%	338.2	341.0	-0.8%
Clinker	3,992	3,698	8.0%	263.5	258.1	2.1%
	(<i>'000 m³</i>)	(<i>'000 m³</i>)		(<i>RMB/m³</i>)	(<i>RMB/m³</i>)	
Concrete	1,454	1,284	13.2%	409.6	472.3	-13.3%

During the Reporting Period, the sales volume of cement of the Group amounted to 25,145,000 tonnes, representing a YOY increase of 22.1%; the sales volume of clinker amounted to 3,992,000 tonnes, representing a YOY increase of 8.0%. The unit selling price of cement decreased by 0.8% to RMB338.2 per tonne, while the unit selling price of clinker increased by 2.1% to RMB263.5 per tonne. The sales volume of concrete amounted to 1,454,000 cubic meters, representing a YOY increase of 13.2%. The unit selling price of concrete decreased by 13.3% to RMB409.6/m³.

(IV) Management Discussion and Analysis (Continued)

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 2021 (RMB/tonne)	Average unit selling price from January to June 2020 (RMB/tonne)	Change in unit selling price
Shandong Region	366.4	389.0	-5.8%
Eastern Shandong Operating Region	376.3	408.6	-7.9%
Western Shandong Operating Region	363.6	390.1	-6.8%
Southern Shandong Operating Region	353.0	364.7	-3.2%
Northeast China Operating Region	292.9	256.9	14.0%
Shanxi Operating Region	265.4	282.7	-6.1%
Xinjiang Operating Region	453.5	468.6	-3.2%

During the Reporting Period, the average unit selling price of cement in Shandong Region was RMB366.4 per tonne, representing a YOY decrease of 5.8%; the average unit selling price of cement in Eastern Shandong Operating Region was RMB376.3 per tonne, representing a YOY decrease of 7.9%; the average unit selling price of cement in Western Shandong Operating Region was RMB363.6 per tonne, representing a YOY decrease of 6.8%; the average unit selling price of cement in Southern Shandong Operating Region was RMB353.0 per tonne, representing a YOY decrease of 3.2%; the average unit selling price of cement in Northeast China Operating Region was RMB292.9 per tonne, representing a YOY increase of 14.0%; the average unit selling price of cement in Shanxi Operating Region was RMB265.4 per tonne, representing a YOY decrease of 6.1%; the average unit selling price of cement in Xinjiang Operating Region was RMB453.5 per tonne, representing a YOY decrease of 3.2%.

(IV) Management Discussion and Analysis (Continued)

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 2021		January–June 2020		Change in sales volume
	Sales volume ('000 tonnes)	Sales proportion	Sales volume ('000 tonnes)	Sales proportion	
High grade cement	23,398	93.05%	19,162	93.06%	22.1%
Low grade cement	1,747	6.95%	1,428	6.94%	22.3%

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 23,398,000 tonnes, representing a YOY increase of 22.1%, and sales volume of low grade cement was 1,747,000 tonnes, representing a YOY increase of 22.3%.

(IV) Management Discussion and Analysis (Continued)

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 2021		January–June 2020		Change of sales revenue
	Sales revenue	Sales proportion	Sales revenue	Sales proportion	
Shandong Region	6,723,663	64.7%	5,713,185	65.3%	17.7%
Eastern Shandong Operating Region	2,738,657	26.4%	2,294,317	26.2%	19.4%
Western Shandong Operating Region	2,629,290	25.3%	2,161,326	24.7%	21.7%
Southern Shandong Operating Region	1,355,716	13.0%	1,257,542	14.4%	7.8%
Northeast China Operating Region	2,143,104	20.6%	1,655,466	18.9%	29.5%
Shanxi Operating Region	1,300,397	12.5%	1,106,101	12.7%	17.6%
Xinjiang Operating Region	224,857	2.2%	272,079	3.1%	-17.4%
Total	10,392,021	100%	8,746,831	100%	18.8%

During the Reporting Period, the sales revenue in Shandong Region was RMB6,723,663,000, accounting for 64.7% of the Group's total sales revenue and representing a YOY increase of 17.7%; the sales revenue in Eastern Shandong Operating Region was RMB2,738,657,000, accounting for 26.4% of the Group's total sales revenue and representing a YOY increase of 19.4%; the sales revenue in Western Shandong Operating Region was RMB2,629,290,000, accounting for 25.3% of the Group's total sales revenue and representing a YOY increase of 21.7%; the sales revenue in Southern Shandong Operating Region was RMB1,355,716,000, accounting for 13.0% of the Group's total sales revenue and representing a YOY increase of 7.8%; the sales revenue in Northeast China Operating Region was RMB2,143,104,000, accounting for 20.6% of the Group's total sales revenue and representing a YOY increase of 29.5%; the sales revenue in Shanxi Operating Region was RMB1,300,397,000, accounting for 12.5% of the Group's total sales revenue and representing a YOY increase of 17.6%; the sales revenue in Xinjiang Operating Region was RMB224,857,000, accounting for 2.2% of the Group's total sales revenue and representing a YOY decrease of 17.4%.

(IV) Management Discussion and Analysis (Continued)

2. COMPANY'S BUSINESS REVIEW (CONTINUED)

(II) Profit analysis

1. Changes in key profit and loss items

(Unit: RMB'000)

	January–June 2021	January–June 2020	Change
Revenue	10,392,021	8,746,831	18.8%
Gross profit	2,994,252	3,021,844	-0.9%
EBITDA	2,449,579	2,714,038	-9.7%
Profit from operations	1,688,409	1,959,039	-13.8%
Profit before taxation	1,582,968	1,783,304	-11.2%
Profit for the period	1,251,489	1,324,054	-5.5%
Profit attributable to equity shareholders of the Company	1,203,545	1,296,631	-7.2%

During the Reporting Period, the Group recorded sales revenue of RMB10,392,021,000, representing a YOY increase of 18.8%; profit from operations of RMB1,688,409,000; profit for the period of RMB1,251,489,000, representing a YOY decrease of 5.5%; profit attributable to equity shareholders of the Company of RMB1,203,545,000. The decrease in profit was mainly due to the YOY increases in operating cost, selling expenses, and administrative expenses of cement and clinker for the period.

(IV) Management Discussion and Analysis (Continued)

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 2021		January–June 2020		Change of proportion to sales revenue
	Amount	Proportion to sales revenue	Amount	Proportion to sales revenue	
Raw materials	3,743,612	36.0%	2,945,949	33.7%	2.3 percentage points
Coal	1,776,354	17.1%	1,245,431	14.3%	2.8 percentage points
Power	633,491	6.1%	551,680	6.3%	-0.2 percentage point
Depreciation and amortisation	430,057	4.1%	420,822	4.8%	-0.7 percentage point
Others	814,255	7.8%	561,105	6.4%	1.4 percentage points
Total cost of sales	7,397,769	71.2%	5,724,987	65.5%	5.7 percentage points

During the Reporting Period, the proportion of the Group's total cost of sales to revenue was 71.2%, representing a YOY increase of 5.7 percentage points. In particular, power and depreciation and amortisation cost decreased by 0.2 percentage point and 0.7 percentage point, respectively as compared with the same period of last year; while raw materials, coal and other costs increased by 2.3 percentage points, 2.8 percentage points and 1.4 percentage points, respectively as compared with the same period of last year.

The YOY increase in raw materials cost was mainly attributed to the increase of cement and clinker output and the increase in consumption of raw materials such as limestone, slag powder and fly ash for the period. In the first half of 2021, the average purchase price of coal increased by approximately 36.2% to RMB786 per tonne as compared with the same period of last year (RMB576.9 per tonne). The YOY increase in cost of electricity was mainly due to the increase in production for the period. The increase in depreciation and amortisation cost compared with the same period of last year was mainly due to the continued completion of the technical renovation and other capital expenditure projects. The increase in other costs of sales as compared with the same period of last year was mainly due to the decrease in labor costs as a result of fiscal measures such as social security relief due to the impact of COVID-19 pandemic in the same period of last year and the YOY increase in maintenance costs for the period.

(IV) Management Discussion and Analysis (Continued)

3. COMPANY'S FINANCIAL REVIEW

(a) Expenses during the period

(Unit: RMB'000)

	January–June 2021		January–June 2020		Changes in proportion to sales revenue
	Amount	Proportion to sales revenue	Amount	Proportion to sales revenue	
Selling and marketing expenses	328,608	3.2%	250,773	2.9%	0.3 percentage point
Administrative expenses	630,728	6.1%	599,094	6.8%	-0.7 percentage point
Finance expenses	127,517	1.2%	184,906	2.1%	-0.9 percentage point
Total	1,086,853	10.5%	1,034,773	11.8%	-1.3 percentage points

During the Reporting Period, the proportion of the Group's selling and marketing expenses to sales revenue has a YOY increase of 0.3 percentage point. The proportion of administrative expenses to sales revenue has a YOY decrease of 0.7 percentage point. In addition, the proportion of the Group's finance cost to sales revenue has a YOY decrease of 0.9 percentage point.

The increase in selling and marketing expenses was mainly due to the increase in the selling and transportation expenses as compared with the same period of last year as caused by the increase in sales volume of cement for the period. The increase in administrative expenses was mainly due to the decrease in expenses of traveling and business entertainment as a result of the COVID-19 outbreak during the same period of last year, the low base amount of social insurance during the same period of last year under the relevant relief measures by the government while the social insurance was paid on normal basis for this period, and the increase in business entertainment expenses as a result of the business expansion and development. The decrease in financial cost was mainly due to lower interest expenses as compared with the same period of last year resulting from the repayment of certain bonds in advance during the period.

(IV) Management Discussion and Analysis (Continued)

3. COMPANY'S FINANCIAL REVIEW (CONTINUED)

(b) Changes in balance sheet items

(Unit: RMB'000)

	30 June 2021	31 December 2020	Change
Non-current assets	20,756,489	20,499,061	1.3%
Current assets	7,549,013	7,178,382	5.2%
Total assets	28,305,502	27,677,443	2.3%
Current liabilities	10,270,095	9,839,495	4.4%
Non-current liabilities	921,499	1,955,931	-52.9%
Total liabilities	11,191,594	11,795,426	-5.1%
Non-controlling interests	204,514	179,219	14.1%
Equity attributable to equity shareholders of the Company	16,909,394	15,702,798	7.7%
Total liabilities and equity	28,305,502	27,677,443	2.3%
Net gearing ratio	8.4%	13.9%	-5.5 percentage points

As of 30 June 2021, the Group's total assets were RMB28,305,502,000, total liabilities were RMB11,191,594,000 and its net assets were RMB17,113,908,000. The net gearing ratio was 8.4%, representing a decrease of 5.5 percentage points as compared with the end of the last year. The Group's total current assets, total current liabilities and net current liabilities were RMB7,549,013,000, RMB10,270,095,000 and RMB2,721,082,000, respectively.

(IV) Management Discussion and Analysis (Continued)

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 2021	31 December 2020
Short-term borrowings (including long-term borrowings with maturity within one year)	2,820,078	2,739,921
Long-term borrowings	230,000	1,232,909
Total	3,050,078	3,972,830

As of 30 June 2021, the Group's total borrowings were RMB3,050,078,000, including USD-denominated convertible bonds which have not been redeemed or converted together with accrued interest thereon totaling approximately USD80,714,000 (approximately RMB521,419,000) and Renminbi-denominated borrowings of RMB2,528,659,000, representing a decrease of RMB922,752,000 as compared with the end of 2020. Of which, short-term borrowings (including long-term borrowings with maturity within 1 year) amounted to RMB2,820,078,000 and accounted for 92.5% of the Group's total borrowings.

For details in relation to the total borrowings of the Group and their interest rates as at 30 June 2021, please refer to the relevant explanation in Notes 15-17 and 20 to the condensed consolidated financial statements.

(IV) Management Discussion and Analysis (Continued)

3. COMPANY'S FINANCIAL REVIEW (CONTINUED)

(d) Capital expenditures

During the Reporting Period, the capital expenditures were approximately RMB1,077,568,000, 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 2021 were as follows:

(Unit: RMB'000)

	30 June 2021	31 December 2020
Authorised and contracted for	729,110	765,849
Authorised but not contracted for	791,506	1,268,803
Total	1,520,616	2,034,652

(IV) Management Discussion and Analysis (Continued)

3. COMPANY'S FINANCIAL REVIEW (CONTINUED)

(e) Net cash flow analysis

(Unit: RMB'000)

	January–June 2021	January–June 2020
Net cash flow generated from operating activities	2,020,965	1,602,221
Net cash flow used in investing activities	(1,014,418)	(455,819)
Net cash flow used in financing activities	(935,588)	(742,199)
Net change in cash and cash equivalents	70,959	404,203
Balance of cash and cash equivalents as at 1 January	1,401,233	1,364,054
Effect of foreign exchange rates change	967	(13,906)
Balance of cash and cash equivalents as at 30 June	1,473,159	1,754,351

Net cash generated from operating activities

During the Reporting Period, the Group recorded a net cash generated from operating activities of RMB2,020,965,000, representing a YOY increase of RMB418,744,000, mainly due to an increase in cash inflow from operating activities as a result of an increase 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 RMB1,014,418,000, representing a YOY increase of RMB558,599,000, mainly due to the increase in capital expenditure for the construction of new cement and clinker production lines and the purchase of equipment for technological renovation in the period.

Net cash used in financing activities

During the Reporting Period, the Group recorded a net cash used in financing activities of RMB935,588,000, representing a YOY increase of RMB193,389,000, mainly due to the increase in the net cash outflow for the Group's bank borrowings, repayment of bank loans and bonds during the Reporting Period as compared with the same period of last year.

(IV) Management Discussion and Analysis (Continued)

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 2021 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 2021 are set out in Note 25 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.

(IV) Management Discussion and Analysis (Continued)

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 2021 are set out below:

Unit: US\$ million

Intended use of proceeds	Intended allocation of net proceeds from issuance of the Convertible Bonds	Unutilized amount as at 31 December 2019 and brought forward to 1 January 2020	Amount utilised from 1 January 2020 to 31 December 2020	Unutilized amount as at 31 December 2020 and brought forward to 1 January 2021	Amount utilised from 1 January 2021 to 30 June 2021	Unutilized amount as at 30 June 2021	Expected timeline for utilising the unutilised amount
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	-	-	-	-	-	N/A
Second 2018 Convertible Bonds							
(i) redemption of the 2020 Notes	233.3	-	-	-	-	-	N/A
(ii) general corporate use	87.4	56.6	7.3	49.3	2.7	46.6	On or before 31 December 2023
Total	531.6	56.6	7.3	49.3	2.7	46.6	

(IV) Management Discussion and Analysis (Continued)

3. COMPANY'S FINANCIAL REVIEW (CONTINUED)

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

As at 30 June 2021, 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.

(IV) Management Discussion and Analysis (Continued)

4. OUTLOOK FOR THE SECOND HALF OF THE YEAR

Operational situation analysis

In the first half of 2021, the prices of bulk commodities such as coal continued to rise, and the time for taking products out of the kilns in the first half of the year was less than that in the same period of the previous year, which was the main reason for the YOY decline in profits; poor awareness of ecological construction in the industry in Henan, Hebei and other neighboring regions, and the constant fluctuation in prices had hit Shandong and some other regions heavily, the market uncertainties had increased; in addition, the reduction of indicators of coal use, the reduction of carbon emission indicators and tightening environmental protection policies were long-term factors that affected the profitability of enterprises.

From a macro point of view, the introduction and implementation of regulations and policies such as production capacity reduction and replacement, normalized off-peak production, early warning weather production restriction and control of total pollution emission will play a positive role in the control of new production capacity, the balance of dynamic supply and the construction of industry ecology. In the second half of the year, downstream demands will be further recovered, and the market in Shandong, a high-priced area, will gradually increase production volume, cement prices will rise steadily, and benefits will gradually improve; with the increase in coal production and imports, the contradiction between supply and demand of coal will tend to ease, coal prices are expected to stabilize with a drop.

Business outlook of the Company for the second half of the year

The Company will strengthen the unified management of sales, clarify the main responsibilities of staff at all levels, focus on two major markets of key projects and rural revitalization, increase its market share in capital construction in the place where the Company is located, strengthen system control, and avoid marketing risks and improve management standards. The Company will take solid steps to reduce costs and improve efficiency, further strengthening production management and equipment maintenance management, reducing production costs, strengthening procurement management, reducing raw material costs, and strengthening financial management and expense management.

The Company will strictly implement industrial policies, seize opportunities, and take solid steps to promote the construction of key projects. The Company will seriously study the national policies and come up with corresponding plans to address the recent policy changes in production capacity and emissions, and determine the roadmap and timetable. In accordance with the working idea of “integrating resources, optimizing the layout, implementing chain supplement and enhancement, and enhancing the strength”, the Company will focus on the clinker line, and cement mill capacity replacement and layout, increase efforts to promote key projects, and accelerate the development of the upstream and downstream extension of the industrial chain.

(IV) Management Discussion and Analysis (Continued)

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

Business outlook of the Company for the second half of the year (Continued)

The Company will attach great importance to environmental protection and production safety, strictly abide by relevant laws, regulations and policies, take solid steps to rectify problems related to mine resources, enterprise land and destruction of forest land, and strengthen environmental protection management and mine management. The Company will attach great significance to the product quality of clinker, cement and commercial concrete, and strictly enforce relevant standards to ensure product quality. The Company will comprehensively promote the construction of safety standardization, consolidate the foundation of production safety, so as to ensure the realization of production safety.

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 2021, the Group had a total of 18,107 employees. The Group provides retirement insurance, medical insurance and unemployment insurance and makes contributions to the housing provident scheme for its employees in the PRC in accordance with applicable laws and regulations in the PRC. The Group remunerates its employees based on their respective work performance and experience and reviews its employee remuneration policies as and when appropriate.

The Group attaches great importance to training and cultivation of technical talents. To this end, the Group organizes high-standard and high-quality technical training activities for its employees every year and provides trainings to in-service employees in a planned manner by taking into account the actual situation so as to improve their skills required for work and enhance their work performance to meet the development needs of the Group. In addition, domestic health education experts and safety training experts were invited to conduct training on health knowledge and safety management for the Group's subsidiaries through video, so as to enhance employees' safety awareness, strengthen their occupational health monitoring and protect their health and safety.

(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 2021, 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 2021, 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 2021, 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)	951,462,000 (L)	Security interest in shares	21.85%
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) 760,271,315 (L) ⁽⁵⁾	Beneficial owner 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% 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 ("**Tianrui Group**"), which owned 100% of Tianrui (International) Holding Company Limited.
- (2b) On 22 March 2016, Tianrui Group, 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. Dalian Branch ("**Bohai Bank**") for a bank loan. In addition, according to the Form 2 filed on 8 June 2021 by Bohai Bank, on 25 April 2019, Tianrui Group has pledged an additional 160,462,000 Shares held by it in favour of Bohai Bank pursuant to a loan agreement entered into between Tianrui Group (as the borrower) and Bohai Bank (as the lender) on 7 March 2019. The aggregate of 951,462,000 Shares which were pledged to Bohai Bank as described above represent all of the Shares of the Company held by Tianrui Group.
- (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 428,393,000 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 2021 was 4,353,966,228.

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

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 2021, 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 2021, 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.

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

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.

All of the options to subscribe for 7,400,000 Shares granted on 25 May 2011 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, 57,400,000 shares options 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 27 January 2015 have been exercised or cancelled or lapsed.

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

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 154,036,000 Shares, representing approximately 59.17% of the Existing Scheme Mandate Limit and approximately 3.54% 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 106,300,000 Shares, representing approximately 2.44% of the share capital in issue (4,353,966,228 Shares) of the Company as of 30 June 2021.

Details of the options are set out as follows:

Type of Grantee	Date of Grant	Vesting period	Exercise period	Exercise price	Number of Share Options				Outstanding as at 30 June 2021
					Outstanding as at 1 January 2021	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	
Employees and directors of subsidiaries and associates	25 May 2011	Nil	25 May 2011 – 24 May 2021	HK\$7.90	5,500,000	-	(5,500,000)	-	-
	27 January 2015	Six months after the date of grant	27 July 2015 – 26 January 2025	HK\$3.68	110,100,000	-	(3,800,000)	-	106,300,000
					115,600,000	-	(9,300,000)	-	106,300,000

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

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.

(VI) Major Events

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 seeking to wind up the Company (the “**Cayman Petition**”) before the Grand Court of the Cayman Islands (the “**Grand Court**”). The Company has appointed legal counsel in relation to 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 has applied for leave to appeal against the Court of Appeal’s decision and this application is still to be determined by the Privy Council.

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 was also 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.

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 filed an application for leave to appeal against the Grand Court’s decision with respect to the Writ Application, which was refused at the hearing on 17 December 2020 as recorded in the subsequent order dated 8 March 2021.

The Company renewed its application for leave to appeal against the decision on the Writ Application on 15 March 2021 and leave to appeal was granted by the Cayman Islands Court of Appeal on 8 April 2021. The Company filed its appeal on 12 April 2021 and the appeal has been listed for 10 November 2021.

(VI) Major Events (Continued)

1. MATERIAL LITIGATION IN THE CAYMAN ISLANDS (CONTINUED)

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

On 17 December 2020, the Grand Court heard a court summons for directions (“**Summons**”) taken out by Tianrui on 26 August 2020 in connection with the Petition. At the hearing of the Summons, Tianrui sought leave to re-amend the Petition, notably in order to join CNBM and ACC as respondents to the Petition. CNBM and ACC are currently shareholders of the Company.

In its judgment dated 27 January 2021, the Grand Court ordered that CNBM and ACC be joined as respondents to the Petition, and that the Petition be served on CNBM and ACC.

On 19 March 2021, the Petition was served on CNBM and ACC. Thereafter, at a further hearing of the Summons on 16 July 2021, the Grand Court ordered that the Petition be treated as an inter-party proceeding between Tianrui, CNBM and ACC, save that the Company may also participate for the purpose of discovery and to be heard regarding the appropriate remedy should the Petition be granted. At the hearing, Tianrui conceded that the only relief it was seeking in the winding-up proceedings was the liquidation of the Company and was ordered to amend its Petition accordingly. The Grand Court also granted leave to Tianrui to amend the Writ to confine the relief it is seeking to declarations that (i) the exercise by the Company’s directors of the power to issue certain convertible bonds on or about 8 August 2018 and/or on about 3 September 2018 was not a valid exercise of the said power; (ii) the exercise by the directors on 30 October 2018 of the power to convert the aforesaid bonds and the power to issue new shares was not a valid exercise of the said powers; and (iii) the exercise by the directors of the power to issue all other shares and securities in the Company after 1 August 2018 was not a valid exercise of the said power. The Company considers that there is no reasonable basis for the declarations sought and will vigorously defend itself against the Writ and Tianrui’s claim.

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, 7 April 2020 and 24 March 2021.

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.

(VI) Major Events (Continued)

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 execute 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.

(VI) Major Events (Continued)

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.

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 restrained 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.

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. The Zhangs filed the Amended Defence on 12 June 2020 and their Expert Report on Mainland Chinese law on 30 July 2020. The Company filed its Amended Reply to the Amended Defence of the Zhangs on 3 September 2020.

On 11 January 2021, an order was made by the court that (inter alia) leave be granted to the Company to amend the Re-Amended Statement of Claim and the restrained sum of the Domestic Mareva Injunction be increased from HK\$24 million to HK\$130 million. The Re-Re-Amended Statement of Claim was filed by the Company on 20 January 2021. The Zhangs filed their Re-Amended Defence on 4 March 2020. The Company filed its Re-Amended Reply to the Re-Amended Defence of the Zhangs on 1 April 2021.

The 1st Pre-Trial Review was held on 11 November 2020 before the Honourable Mr. Justice Coleman of the Court of First Instance of the High Court.

The 2nd Pre-Trial Review was held on 25 February 2021 before the Honourable Mr. Justice Coleman of the Court of First Instance of the High Court. In the 2nd Pre-Trial Review, an order was made by the court that (inter alia) two further days (namely 20 and 21 May 2021) be reserved for the trial.

On 14 April 2021, an Order was made by the court that leave be granted to the Zhangs to amend its Re-Amended Defence. The Zhangs filed their Re-Re-Amended Defence on 15 April 2021.

(VI) Major Events (Continued)

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

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

There are currently two main 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.

The trial took place on 19 to 23 and 26 to 30 April 2021, 3 to 4, 6 to 7, 10 to 14, 17 to 18, 21, 24 to 26, 28 and 31 May 2021, 1 to 4, 7 and 15 to 17 June 2021 before the Honourable Mr. Justice Coleman of the Court of First Instance of the High Court. The judgment has yet to be handed down.

(VI) Major Events (Continued)

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

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, 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 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. This application was dismissed by the Hong Kong court on 7 December 2020.

For further details, please refer to the announcements published by the Company on 29 March 2019 and 4 September 2020.

(VI) Major Events (Continued)

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.

(VI) Major Events (Continued)

5. CONNECTED TRANSACTIONS

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 2021, the Group in aggregate borrowed RMB1.53 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 2021, outstanding borrowings of the Company from Tianrui Group was RMB837 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 26 to the condensed consolidated financial statements.

(VII) Interim Financial Statements (Unaudited)

Condensed Consolidated Statement of Profit or Loss

*For the six months ended 30 June 2021 – Unaudited
(Expressed in Renminbi)*

	Notes	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Revenue	3, 4	10,392,021	8,746,831
Cost of sales		(7,397,769)	(5,724,987)
Gross profit		2,994,252	3,021,844
Other income	5	243,464	201,421
(Impairment losses)/reversal of impairment losses on trade receivables, net		(35,601)	1,622
(Impairment losses)/reversal of impairment losses on other receivables, net		(15,800)	4,106
Selling and marketing expenses		(328,608)	(250,773)
Administrative expenses		(630,728)	(599,094)
Other gains and losses	6	(21,201)	87,916
Expenses incurred during off-peak suspension		(517,369)	(508,003)
Profit from operations		1,688,409	1,959,039
Finance costs	7(a)	(127,517)	(184,906)
Share of results of associates		22,076	9,171
Profit before taxation		1,582,968	1,783,304
Income tax expense	8	(331,479)	(459,250)
Profit for the period		1,251,489	1,324,054
Attributable to:			
Equity shareholders of the Company		1,203,545	1,296,631
Non-controlling interests		47,944	27,423
Profit for the period		1,251,489	1,324,054
Earnings per share	9		
Basic (RMB)		0.28	0.30
Diluted (RMB)		0.28	0.28

The notes on pages 45 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 2021 – Unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Profit for the period	1,251,489	1,324,054
Other comprehensive income/(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	3,051	(15,981)
Total comprehensive income for the period	1,254,540	1,308,073
Attributable to:		
Equity shareholders of the Company	1,206,596	1,280,650
Non-controlling interests	47,944	27,423
Total comprehensive income for the period	1,254,540	1,308,073

The notes on pages 45 to 74 form part of these condensed consolidated financial statements.

(VII) Interim Financial Statements (Unaudited)

Condensed Consolidated Statement of Financial Position

At 30 June 2021 – Unaudited

(Expressed in Renminbi)

	<i>Notes</i>	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Non-current assets			
Fixed assets	10		
– Property, plant and equipment		15,892,139	15,717,501
Right-of-use assets	10	2,267,286	2,304,350
		18,159,425	18,021,851
Intangible assets	10	1,101,163	995,994
Goodwill		90,132	90,132
Other financial assets		45,161	44,622
Interest in associates		301,099	320,535
Deferred tax assets		242,789	168,039
Other long-term assets		816,720	857,888
		20,756,489	20,499,061
Current assets			
Inventories	11	2,287,266	2,288,043
Trade and bills receivables	12	2,393,342	2,319,478
Other receivables and prepayments	13	1,118,494	905,110
Derivative component of convertible bonds	20	237,873	243,747
Restricted bank deposits	14	38,879	20,771
Bank balances and cash		1,473,159	1,401,233
		7,549,013	7,178,382
Current liabilities			
Bank loans – amount due within one year	15	2,297,750	1,544,749
Other borrowings	16	909	330,909
Current portion of long-term bonds	17	–	321,000
Trade payables	18	4,116,282	3,605,201
Other payables and accrued expenses	19	2,150,114	2,480,568
Contract liabilities		879,002	732,802
Taxation payable		294,840	267,584
Convertible bonds	20	521,419	543,263
Lease liabilities		9,779	13,419
		10,270,095	9,839,495
Net current liabilities		(2,721,082)	(2,661,113)
Total assets less current liabilities		18,035,407	17,837,948

(VII) Interim Financial Statements (Unaudited)

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2021 – Unaudited
(Expressed in Renminbi)

	<i>Notes</i>	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Non-current liabilities			
Bank loans – amount due after one year	15	230,000	1,117,000
Other borrowings	16	–	909
Long-term bonds	17	–	115,000
Long-term payables		236,760	253,741
Defined benefit obligations	21	111,460	111,460
Deferred income		215,853	222,844
Lease liabilities		57,453	59,574
Deferred tax liabilities		69,973	75,403
		921,499	1,955,931
Net assets			
		17,113,908	15,882,017
Capital and reserves			
Share capital	22(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		8,378,686	7,172,090
Total equity attributable to equity shareholders of the Company		16,909,394	15,702,798
Non-controlling interests		204,514	179,219
Total equity		17,113,908	15,882,017

The notes on pages 45 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 2021 – Unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserves	Other reserves	Exchange reserves	Accumulated profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
Balance at 1 January 2021	295,671	8,235,037	1,915,741	265,372	(372,136)	5,363,113	15,702,798	179,219	15,882,017
Profit for the period	-	-	-	-	-	1,203,545	1,203,545	47,944	1,251,489
Other comprehensive income	-	-	-	-	3,051	-	3,051	-	3,051
Total comprehensive income for the period	-	-	-	-	3,051	1,203,545	1,206,596	47,944	1,254,540
Transfer between reserves	-	-	(32,158)	-	-	32,158	-	-	-
Appropriation to maintenance and production funds	-	-	46,283	-	-	(46,283)	-	-	-
Utilisation of maintenance and production funds	-	-	(25,973)	-	-	25,973	-	-	-
Distribution to non-controlling interests	-	-	-	-	-	-	-	(22,649)	(22,649)
Balance at 30 June 2021	295,671	8,235,037	1,903,893	265,372	(369,085)	6,578,506	16,909,394	204,514	17,113,908

The notes on pages 45 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 2021 – Unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Operating activities			
Cash generated from operations		2,745,918	2,080,458
Interest paid		(340,550)	(82,571)
Income tax paid		(384,403)	(395,666)
Net cash generated from operating activities		2,020,965	1,602,221
Investing activities			
Payment of purchase of long-term assets		(822,059)	(366,986)
Payment for deposit for purchase of fixed assets		(255,509)	(138,440)
Dividend received from associates		41,512	–
Payment for a previously-acquired subsidiary		–	(15,000)
Proceeds from reduction in capital of other financial assets		–	24,500
Proceeds from reduction in capital of an associate		–	19,800
Others		21,638	20,307
Net cash used in investing activities		(1,014,418)	(455,819)
Financing activities			
Proceeds from new loans and borrowings		912,000	951,999
Repayment of loans and borrowings		(1,376,908)	(1,294,079)
Repayment of long-term bonds		(436,000)	(398,500)
Repayments of lease liabilities		(12,031)	(10,214)
Others		(22,649)	8,595
Net cash used in financing activities		(935,588)	(742,199)
Net increase in cash and cash equivalents		70,959	404,203
Cash and cash equivalents at 1 January		1,401,233	1,364,054
Effect of foreign exchange rates changes		967	(13,906)
Cash and cash equivalents at 30 June, representing bank balances and cash		1,473,159	1,754,351

The notes on pages 45 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 2021

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.

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 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to IFRSs

In the Reporting Period, the Group has applied 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 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to IFRSs in the Reporting Period 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.

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.

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

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	
	2021 RMB'000	2020 RMB'000
Sales of cement	8,460,283	6,966,619
Sales of clinker	1,054,833	948,861
Sales of concrete	591,526	602,913
Sales of other products	285,379	228,438
	10,392,021	8,746,831

The Group's revenues for the six months ended 30 June 2021 and 2020 were generated in the People's Republic of China (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 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.

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

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.

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

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 2021 and 2020 is set out below.

	2021					2020				
	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	6,720,807	2,143,005	1,298,286	224,857	10,386,955	5,710,194	1,655,132	1,105,797	272,079	8,743,202
Over time	2,856	99	2,111	-	5,066	2,991	334	304	-	3,629
Revenue from external customers	6,723,663	2,143,104	1,300,397	224,857	10,392,021	5,713,185	1,655,466	1,106,101	272,079	8,746,831
Inter-segment revenue	549,663	12,265	14,204	-	576,132	293,668	53,355	55,449	-	402,472
Reportable segment revenue	7,273,326	2,155,369	1,314,601	224,857	10,968,153	6,006,853	1,708,821	1,161,550	272,079	9,149,303
Reportable segment profit (adjusted profit before taxation)	1,452,018	116,622	269,792	66,610	1,905,042	1,736,109	75,168	248,088	104,684	2,164,049
As at 30 June/31 December										
Reportable segment assets	12,742,841	8,387,446	5,194,446	1,024,799	27,349,532	13,155,824	8,083,169	5,115,134	1,053,625	27,407,752
Reportable segment liabilities	5,308,864	1,812,590	205,295	79,679	7,406,428	5,440,585	1,524,080	300,098	164,570	7,429,333

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit		
Reportable segment profit	1,905,042	2,164,049
Elimination of inter-segment profit	(197,071)	(286,709)
Reportable segment profit derived from the Group's external customers	1,707,971	1,877,340
Share of results of associates	22,076	9,171
Waiver of interest expenses	54,800	44,828
Gain/(loss) on fair value changes of financial assets at FVTPL	539	(642)
(Loss)/gain on fair value changes of derivative component of convertible bonds	(3,493)	73,532
Unallocated finance costs	(103,778)	(166,174)
Unallocated head office and corporate expenses	(95,147)	(54,751)
Consolidated profit before taxation	1,582,968	1,783,304

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

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 starting 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	
	2021 RMB'000	2020 RMB'000
Interest income	7,957	15,876
Government grants (<i>note</i>)	124,480	108,616
Amortisation of deferred income	7,125	8,803
Waiver of interest expenses	54,800	44,828
Others	49,102	23,298
	243,464	201,421

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

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net foreign exchange gain	1,916	8,990
Net (loss)/gain from disposal of fixed assets	(7,937)	8,220
Gain/(loss) on fair value changes of other financial assets at FVTPL	539	(642)
(Loss)/gain on fair value changes of derivative component of convertible bonds	(3,493)	73,532
Donations	(11,779)	(5,452)
Bad debt recovery	–	4,162
Others	(447)	(894)
	(21,201)	87,916

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

7 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Interest on bank loans	62,501	93,224
Interest on other borrowings and long-term bonds	17,246	45,728
Interest on lease liabilities	1,776	1,850
Effective interest expense on convertible bonds	31,925	37,781
Less: capitalised interest expenses ^(*)	(543)	–
Net interest expenses	112,905	178,583
Unwinding of discount	5,633	3,769
Bank charges	8,979	2,554
	127,517	184,906

* The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation related to construction of plant is 4.50% for the six months ended 30 June 2021.

(b) Other items

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Depreciation		
– property, plant and equipment	616,583	632,301
– right-of-use assets	38,968	37,312
Amortisation		
– intangible assets	83,543	76,215

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

8 INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Current tax expenses		
Provision for the PRC income tax	399,393	483,567
Underprovision in prior years	3,953	283
	403,346	483,850
Deferred taxation	(71,867)	(24,600)
	331,479	459,250

Notes:

- (i) The Group's PRC subsidiaries are subject to PRC income tax at the statutory rate of 25% (six months ended 30 June 2020: 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 2020: 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 2021 (six months ended 30 June 2020: nil).

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

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	
	2021 RMB'000	2020 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	1,203,545	1,296,631
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	1,203,545	1,260,880
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	4,353,966,228	4,446,970,997

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 2021, the computation of diluted earnings per share had not taken into account the potential ordinary shares on convertible bonds as the assumed conversion would be anti-dilutive and result in an increase in earnings per share. 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.

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

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

- (a) During the six months ended 30 June 2021, the additions of fixed assets, right-of-use assets with underlying assets of land lease prepayments and intangible assets of the Group amounted to RMB868,273,000 (six months ended 30 June 2020: RMB323,111,000), RMB5,612,000 (six months ended 30 June 2020: RMB10,251,000) and RMB187,458,000 (six months ended 30 June 2020: RMB93,124,000), respectively. Items of fixed assets with net book value totalling RMB10,651,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB12,651,000), resulting in a loss from disposal of RMB7,937,000 (six months ended 30 June 2020: gain from disposal of RMB8,220,000).
- (b) As at 30 June 2021, right-of-use assets with underlying assets of land lease prepayments carried at RMB5,070,000 (31 December 2020: RMB5,132,000) and plants and building carried at RMB24,550,000 (31 December 2020: RMB25,057,000) have been frozen by the PRC Court relating to other borrowings and long-term bonds which were overdue since November 2015 and January 2016, respectively. The frozen right-of-use assets with underlying assets of lease prepayment and plants and building are currently occupied by the Group for business operation. 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 2021, 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 RMB4,494,000 (six months ended 30 June 2020: RMB765,000) and lease liabilities of RMB4,494,000 (six months ended 30 June 2020: RMB767,000).

11 INVENTORIES

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Raw materials	1,086,103	931,453
Semi-finished goods	457,063	616,159
Finished goods	310,812	280,027
Spare parts	433,288	460,404
	2,287,266	2,288,043

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

12 TRADE AND BILLS RECEIVABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Bills receivables	1,263,660	1,199,872
Trade receivables	1,466,907	1,422,922
Less: allowance for credit losses	(337,225)	(303,316)
	2,393,342	2,319,478

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 2021 RMB'000	At 31 December 2020 RMB'000
Within 3 months	1,274,044	911,522
3 to 6 months	405,353	653,987
6 to 12 months	354,972	417,976
Over 12 months	358,973	335,993
	2,393,342	2,319,478

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 the sale of cement and clinker. Credit sales with a general credit period of 30 to 60 days are occasionally allowed to selected customers with good credit histories and a 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.

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

13 OTHER RECEIVABLES AND PREPAYMENTS

<i>Note</i>	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Deposit	99,953	36,417
Prepayments for raw materials	208,639	164,807
Prepayments for utilities	76,674	77,735
VAT recoverable	219,601	179,764
Amount due from related parties	36,413	5,384
Amount due from third parties	445,678	362,537
Others	31,536	78,466
	1,118,494	905,110

14 RESTRICTED BANK DEPOSITS

Restricted bank deposits as at 30 June 2021 include RMB29,429,000 (31 December 2020: RMB16,760,000) of cash deposits pledged to banks for the performance guarantee in relation to certain sales or purchases agreements, and RMB9,450,000 (31 December 2020: RMB4,011,000) 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 certain sales or purchase contracts. Further details of this litigation are set out in note 16.

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

15 BANK LOANS

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Bank loans – Secured ^(*)	103,750	103,750
Bank loans – Unsecured	2,424,000	2,557,999
	2,527,750	2,661,749

* These bank loans were secured by certain plants and buildings with an aggregate carrying amount of RMB8,534,000 (31 December 2020: RMB8,712,000).

As at 30 June 2021, there is no default in bank loans repayment.

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within one year	2,297,750	1,544,749
After one year but within two years	230,000	1,117,000
	2,527,750	2,661,749

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

16 OTHER BORROWINGS

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

	<i>Notes</i>	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Loan from government – Unsecured	(i)	909	1,818
Short-term financing bills	(ii)	–	330,000
		909	331,818

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within one year	909	330,909
After one year but within two years	–	909
	909	331,818

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 2020: one-year PRC deposit interest rate plus 0.30%) and is repayable in equal instalments from years 2012 to 2021.

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

16 OTHER BORROWINGS (CONTINUED)

- (ii) All of 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 2021, 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	nil (31/12/2020: 190,000)	14/04/2015	22/11/2015	5.30%	settled at the maturity date	nil (31/12/2020: 7.70%)	Note
Shandong Shanshui	nil (31/12/2020: 140,000)	14/05/2015	12/02/2016	4.50%	settled at the maturity date	nil (31/12/2020: 6.49%)	Note

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 and 25 June 2021 respectively.

As at 31 December 2020, the outstanding short-term financing bills with principal of RMB330,000,000 carried interest rate at 6.49% – 7.70% per annum. The outstanding short-term financing bills are fully repaid by the Group during the Reporting Period.

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 2021, there is no default in repayment of other borrowings and accordingly, portion of interest related to short-term financing bills of RMB22,894,000 has been waived and recognised as other income in profit or loss during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB6,107,000).

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 2021, cash and cash equivalents of RMB9,450,000 (31 December 2020: RMB4,011,000), right-of-use assets with underlying assets of land lease prepayments of RMB5,070,000 (31 December 2020: RMB5,132,000) and fixed assets of RMB24,550,000 (31 December 2020: RMB25,057,000) have been frozen by the PRC Courts.

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

17 LONG-TERM BONDS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Medium-term notes	–	436,000
Less: Current portion of medium-term notes	–	(321,000)
Long-term bonds, less current portion	–	115,000

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	nil (31/12/2020: 286,000)	18/01/2013	21/01/2016	5.44%	annually	nil (31/12/2020: 0%–5.44%)
Shandong Shanshui	nil (31/12/2020: 150,000)	27/02/2014	27/02/2017	6.10%	annually	nil (31/12/2020: 0%–6.10%)

As at 31 December 2020, the outstanding medium-term notes with principal of RMB64,000,000 was interest free and principal of RMB372,000,000 carried interest at 5.44% – 6.10% per annum. The outstanding medium-term notes are fully repaid by the Group during the Reporting Period.

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 2021 there is no default in repayment of long-term bonds and accordingly, portion of interest related to medium-term notes of RMB31,906,000, has been waived and recognised as other income in profit or loss during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB38,721,000).

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).

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

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 2021 RMB'000	At 31 December 2020 RMB'000
Within 3 months	2,508,285	2,129,539
3 to 6 months	456,387	465,384
6 to 12 months	493,051	349,927
Over 12 months	658,559	660,351
	4,116,282	3,605,201

As at 30 June 2021 and 31 December 2020, 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 2021, certain suppliers and third parties have initiated lawsuits against the Group to demand immediate settlement of trade payables with a carrying amount of RMB7,572,000 (31 December 2020: RMB16,558,000) plus interest for late payment, if any.

The management are continuing to negotiate with the suppliers to settle these amounts out of court. No adjustments have been made to these 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.

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

19 OTHER PAYABLES AND ACCRUED EXPENSES

Notes	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Accrued payroll and welfare	247,526	439,835
Taxes payable other than income tax	64,804	50,808
Staff compensation and termination provisions	156,551	159,110
Amounts due to related parties	855,289	857,225
Payables to former shareholders of acquired subsidiaries	78,937	95,174
Acquisition consideration payables (i)	44,878	45,149
Current portion of long term payables	1,287	1,287
Accrued expenses and other payables (ii)	700,842	831,980
	2,150,114	2,480,568

Notes:

- (i) Included in the balance are amounts payable for the acquisition of Liaocheng Meijing Zhongyuan Cement Co., Ltd. ("**Liaocheng Meijing Zhongyuan Cement**") amounting to RMB30,678,000 (31 December 2020: RMB30,678,000). 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 litigations related to Liaocheng Meijing Zhongyuan Cement is still in process.
- (ii) Included in accrued expenses and other payables are interest payables, payable for mine management, contract guarantee of RMB544,000, RMB123,946,000 and RMB122,387,000, respectively (31 December 2020: RMB212,884,000, RMB123,946,000 and RMB107,699,000 respectively).

As at 30 June 2021, certain suppliers and third parties have lawsuits against the Group to demand immediate settlement of other payables with carrying amount of RMB1,562,000 (31 December 2020: RMB62,903,000) plus interest for late payment, if any.

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

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 2021 (i.e. from 3 March 2020 to 29 July 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.

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

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 2020: 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 2021 and 31 December 2020, which will mature on 7 August 2021.

The movement of the components of the convertible bonds during the six months ended 30 June 2021 and 30 June 2020 is set out below:

	Debt component RMB\$'000	Derivative component RMB\$'000	Total RMB\$'000
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
At 1 January 2021 (audited)	543,263	(243,747)	299,516
Interest charge	31,925	–	31,925
Interest paid	(48,463)	–	(48,463)
Fair value change	–	3,493	3,493
Exchange realignment	(5,306)	2,381	(2,925)
At 30 June 2021 (unaudited)	521,419	(237,873)	283,546

The debt component of convertible bonds is classified as current liabilities while the derivative component is classified as current assets in the condensed consolidated financial statements as at 30 June 2021 and in the consolidated financial statements as at 31 December 2020 respectively.

The fair values of the Group's derivative components at 30 June 2021 and 31 December 2020 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, which may change due to changes in share price of the Company. The key unobservable input used in the model are disclosed in note 23.

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

21 DEFINED BENEFIT OBLIGATIONS

The Group's obligations in respect of the defined benefit obligations at the end of the Reporting Period were reviewed by Willis Towers Watson, a qualified independent actuary and a member of the Society of Actuaries and China Association of Actuaries, using the projected unit credit actuarial cost method.

The Group's obligations in respect of the defined benefit obligations are recognised as non-current liabilities and the Group has not allocated any assets to satisfy such obligations.

22 CAPITAL, RESERVES AND DIVIDEND

(a) Share capital

	30 June 2021 and 31 December 2020	
	Number of shares	RMB equivalent RMB'000
Ordinary shares of the Company of USD0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	10,000,000,000	701,472
Issued and fully paid:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	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 2021 (six months ended 30 June 2020: nil).

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

23 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		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to the fair value
	30/06/2021	31/12/2020				
	RMB'000	RMB'000				
1 Equity securities listed in the PRC classified as financial assets at FVTPL	6,287	5,748	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	17,164	17,164	Level 3	Guideline public company method	Discount for lack of marketability 15% (31 December 2020: 15%)	The higher discount for lack of marketability, the lower the fair value.
3 Derivative component of convertible bonds	237,873	243,747	Level 3	Monte-Carlo method	Expected volatility: 25.44% (31 December 2020: 33.27%) Risk-free rate: 0.12% (31 December 2020: 0.13%)	The higher the expected volatility, the lower the fair value. The higher the risk-free rate, the higher the fair value.

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

23 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 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
At 1 January 2021 (audited)	17,164	243,747
Fair value loss (included in profit or loss)	–	(3,493)
Exchange realignment	–	(2,381)
At 30 June 2021 (unaudited)	17,164	237,873

(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.

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

24 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2021 not provided for in the condensed consolidated financial statements were as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 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	729,110	765,849

25 CONTINGENT LIABILITIES AND OTHER EVENTS

- (a) As at 30 June 2021, several litigation claims were initiated by the customers against the Group to demand immediate repayment of the outstanding balance in relation to certain sales contracts of cement and other products, with an aggregate amount of RMB10,922,000 (31 December 2020: RMB28,020,000), which had not been concluded. No provision for these litigation claims was made in these condensed consolidated financial statements as in the opinion of the directors of the Company, the possibility of an outflow of economic resources is remote.
- (b) 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 in relation to 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 has applied for leave to appeal against the Court of Appeal’s decision from the Privy Council and this application is still to be determined by the Privy Council.

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

25 CONTINGENT LIABILITIES AND OTHER EVENTS (CONTINUED)

(b) (Continued)

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 was also 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.

On 12 August 2019, the Company filed applications with the Grand Court to, among others, (i) strike out the Cayman Petition, (ii) strike out the Writ (the “**Writ Application**”), and/or (iii) stay both proceedings (the “**Applications**”).

On 6 April 2020, the Grand Court dismissed the Applications, and as a result, the two proceedings will continue. The Company filed an application for leave to appeal against the Grand Court’s decision with respect to the Writ Application, which was refused at the hearing on 17 December 2020 as recorded in the subsequent order dated 8 March 2021.

The Company renewed its application for leave to appeal against the decision on the Writ Application on 15 March 2021 and leave to appeal was granted by the Cayman Islands Court of Appeal on 8 April 2021. The Company filed its appeal on 12 April 2021 and the appeal has been listed for 10 November 2021.

On 17 December 2020, the Grand Court heard a court summons for directions (“**Summons**”) taken out by Tianrui on 26 August 2020 in connection with the Petition.

At the hearing of the Summons, Tianrui sought leave to re-amend the Petition, notably in order to join CNBM and ACC as respondents to the Petition. CNBM and ACC are currently shareholders of the Company.

In its judgment dated 27 January 2021, the Grand Court ordered that CNBM and ACC be joined as respondents to the Petition, and that the Petition be served on CNBM and ACC.

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

25 CONTINGENT LIABILITIES AND OTHER EVENTS (CONTINUED)

(b) (Continued)

On 19 March 2021, the Petition was served on CNBM and ACC. Thereafter, at a further hearing of the Summons on 16 July 2021, the Grand Court ordered that the Petition be treated as an inter-party proceeding between Tianrui, CNBM and ACC, save that the Company may also participate for the purpose of discovery and to be heard regarding the appropriate remedy should the Petition be granted. At the hearing, Tianrui conceded that the only relief it was seeking in the winding-up proceedings was the liquidation of the Company and was ordered to amend its Petition accordingly. The Grand Court also granted leave to Tianrui to amend the Writ to confine the relief it is seeking to declarations that (i) the exercise by the Company's directors of the power to issue certain convertible bonds on or about 8 August and/or on about 3 September 2018 was not a valid exercise of the said power; (ii) the exercise by the directors on 30 October 2018 of the power to convert the aforesaid bonds and the power to issue new shares was not a valid exercise of the said powers; and (iii) the exercise by the directors of the power to issue all other shares and securities in the Company after 1 August 2018 was not valid exercise of the said power. The Company considers that there is no reasonable basis for the declarations sought and will vigorously defend itself against the Writ and Tianrui's claim.

Other than the disclosure above, some of which postdates the Reporting Period, as at 30 June 2021, 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 2021, the Group was the defendant of certain non-material litigations, 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 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.

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

26. RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties

Apart from the transactions and the balances with related parties disclosed elsewhere in these condensed consolidated financial statements, the Group also entered into the following significant transactions with related parties during the Reporting Period:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Sales		
Associates of the Group	4,048	405,304
Fellow subsidiary of a major shareholder of the Company	298	1,557
Subsidiaries of a major shareholder of the Company	33,976	1,199
	38,322	408,060
Purchase		
Fellow subsidiary of a major shareholder of the Company	20,785	4,451
Subsidiaries of a major shareholder of the Company	63,733	59,811
Associate of a major shareholder of the Company	1,997	–
	86,515	64,262
Mining service fee		
Subsidiaries of a major shareholder of the Company	212,933	121,900
Engineering service fee		
Fellow subsidiary of a major shareholder of the Company	930	9,300
Subsidiaries of a major shareholder of the Company	138,874	3,241
	139,804	12,541
Other service and management fee		
Associates of the Group	40,388	3,602
Fellow subsidiary of a major shareholder of the Company	411	488
Subsidiary of a major shareholder of the Company	–	466
	40,799	4,556

The directors of the Company are of the opinion that these transactions were carried out on normal commercial terms and in the ordinary course of business of the Group.

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

26. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties

As at the end of the Reporting Period, the Group had the following significant balances with its related parties:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Trade receivables from:		
Subsidiaries of a major shareholder of the Company	929	207
Prepayments to:		
Fellow subsidiary of a major shareholder of the Company	14,294	13,763
Subsidiaries of a major shareholder of the Company	107,792	132,454
Associate of a major shareholder of the Company	126	–
	122,212	146,217
Other receivables from:		
Shareholder of the Company	721	728
Associates of the Group	4,463	4,656
Fellow subsidiary of a major shareholder of the Company	3	3
Subsidiaries of a major shareholder of the Company	10,062	6,371
	15,249	11,758
Trade payable to:		
Associates of the Group	56,015	69,384
Fellow subsidiary of a major shareholder of the Company	930	1,344
Subsidiaries of a major shareholder of the Company	152,674	92,582
	209,619	163,310
Contract liabilities from:		
Fellow subsidiary of a major shareholder of the Company	146	444
Subsidiaries of a major shareholder of the Company	498	2,008
	644	2,452

(VII) Interim Financial Statements (Unaudited)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

26. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties (Continued)

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Other payables to:		
Shareholder of the Company (Note)	837,493	845,322
Associates of the Group	17,596	11,703
Fellow subsidiary of a major shareholder of the Company	236	–
Subsidiaries of a major shareholder of the Company	2,729	2,629
	858,054	859,654

Note:

The amount represented loans from Tianrui Group. As at 30 June 2021, the outstanding loans with total principal of RMB837,493,000 (31 December 2020: RMB845,322,000) are unsecured, interest free and repayable on demand.

(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	
	2021 RMB'000	2020 RMB'000
Salary, allowances and other benefits	5,272	4,803
Contribution to defined contribution retirement plans	351	1,098
	5,623	5,901

(VIII) Miscellaneous

I. INTERIM DIVIDEND

The Board did not declare the payment of any interim dividend for the six months ended 30 June 2021.

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).

(VIII) Miscellaneous (Continued)

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 2021 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. With effect from 29 May 2021, Mr. CHANG Zhangli, the Chairman and an executive Director of the Company, has ceased to be the chairman and a member of the nomination committee of the Company.
2. With effect from 29 May 2021, Mr. Hou Jianguo has been appointed as an executive Director and a member of each of the executive committee and the nomination committee of the Company.
3. With effect from 1 July 2021, Mr. LI Jianwei, an independent non-executive Director of the Company, has ceased to serve as the chairman of the board of Beijing Fangyuan Zhonghe Culture Communication Co., Ltd..
4. With effect from 19 January 2021, Mr. HSU You-yuan, an independent non-executive Director of the Company, serves as a president of Little Aid from Everyone Association (小善共益協會); and has been appointed as the chairman of the nomination committee of the Company with effect from 29 May 2021.

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.