SUNNSY

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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

SUMMARY

- Operating revenue for the first half of year 2023 amounted to approximately RMB8,851,107,000, representing a decrease of 12.6% as compared to the corresponding period of last year;

- Loss from operations for the first half of year 2023 amounted to approximately RMB42,692,000, as compared to a profit from operations of RMB822,768,000 for the corresponding period of last year;

- Loss attributable to equity shareholders of the Company for the first half of year 2023 amounted to approximately RMB236,847,000, as compared to a profit attributable to equity shareholders of the Company of RMB480,364,000 (restated) for the corresponding period of last year;

- Basic loss per share for the first half of year 2023 was RMB0.05.

The Board of Directors (the "**Board**") of China Shanshui Cement Group Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2023 (the "**Reporting Period**"), together with comparative unaudited financial data for the corresponding period of 2022. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been reviewed by the audit committee of the Board (the "**Audit Committee**") and approved by the Board.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023 – Unaudited

		Six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
			(restated)
Revenue	3(a)	**8,851,107**	10,131,698
Cost of sales		**(7,638,321)**	(7,995,743)
Gross profit		**1,212,786**	2,135,955
Other income	5	**95,466**	108,380
Impairment losses on trade receivables, net		**(6,670)**	(4,093)
(Impairment losses)/reversal of impairment losses on other receivables, net		**(10,245)**	4,940
Selling and marketing expenses		**(142,057)**	(158,356)
Administrative expenses		**(614,339)**	(616,470)
Other gains and losses, net	6	**(78,356)**	(51,848)
Expenses incurred during off-peak suspension		**(499,277)**	(595,740)
(Loss)/profit from operations		**(42,692)**	822,768
Finance costs	7(a)	**(118,699)**	(85,212)
Share of results of associates		**(1,241)**	4,616
(Loss)/profit before taxation		**(162,632)**	742,172
Income tax expense	8	**(145,284)**	(270,101)
(Loss)/profit for the period		**(307,916)**	472,071
Attributable to:			
Equity shareholders of the Company		**(236,847)**	480,364
Non-controlling interests		**(71,069)**	(8,293)
(Loss)/profit for the period		**(307,916)**	472,071
(Loss)/earnings per share	10		
Basic *(RMB)*		**(0.05)**	0.11
Diluted *(RMB)*		**(0.05)**	0.11

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023 – Unaudited

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
(Loss)/profit for the period	**(307,916)**	472,071
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	**64,478**	(6,658)
Total comprehensive (expense)/income for the period	**(243,438)**	465,413
Attributable to:		
Equity shareholders of the Company	**(172,369)**	473,706
Non-controlling interests	**(71,069)**	(8,293)
Total comprehensive (expense)/income for the period	**(243,438)**	465,413

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 – Unaudited

	Notes	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**16,819,883**	16,963,357
Right-of-use assets		**2,290,269**	2,326,174
Intangible assets		**1,534,380**	1,569,445
Goodwill		**90,132**	90,132
Other financial assets		**19,568**	18,208
Interests in associates		**512,788**	514,029
Deferred tax assets		**304,931**	317,403
Other long-term assets		**859,771**	881,310
		22,431,722	22,680,058
CURRENT ASSETS			
Inventories		**2,787,622**	3,230,312
Trade and bills receivables	11	**2,144,103**	1,763,731
Prepayments and other receivables	12	**1,312,858**	1,435,338
Restricted bank deposits	13	**722,711**	223,473
Bank balances and cash		**3,183,403**	2,124,362
		10,150,697	8,777,216
CURRENT LIABILITIES			
Bank loans – amount due within one year	14	**4,668,557**	2,780,603
Trade payables	15	**4,441,529**	4,711,006
Other payables and accrued expenses	16	**2,141,959**	2,291,581
Contract liabilities		**681,250**	519,332
Taxation payable		**85,233**	129,624
Lease liabilities		**6,131**	5,935
		12,024,659	10,438,081
NET CURRENT LIABILITIES		**(1,873,962)**	(1,660,865)
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,557,760**	21,019,193

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 – Unaudited

	Notes	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000 (restated)
NON-CURRENT LIABILITIES			
Bank loans – amount due after one year	14	**610,310**	835,000
Long-term payables		**243,586**	241,095
Defined benefit obligations		**100,830**	100,830
Deferred income		**300,657**	302,223
Lease liabilities		**56,360**	55,965
Deferred tax liabilities		**68,087**	51,480
		1,379,830	1,586,593
NET ASSETS		**19,177,930**	19,432,600
CAPITAL AND RESERVES			
Share capital	17	**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		**10,458,259**	10,630,628
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**18,988,967**	19,161,336
Non-controlling interests		**188,963**	271,264
TOTAL EQUITY		**19,177,930**	19,432,600

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 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

Application of amendments to IFRSs

In the Reporting Period, the Group has applied the following new and amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two Model Rules

Except as described below, 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.

2.1 Impacts and changes in accounting policies on application of Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

2.1.1 Accounting policies

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

2.1.2 Transition and summary of effects

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the IAS 12 requirements to assets and liabilities arising from a single transaction separately and temporary differences on initial recognition on the relevant assets and liabilities were not recognised due to the application of the initial recognition exemption. In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions and provisions for decommissioning and restoration liabilities that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities and decommissioning and restoration liabilities and the corresponding amounts, recognised as part of the cost of the related assets.

The details of the impacts on each financial statement line item and earnings per share arising from the application of the amendments are set out in note 2.2.

2.2 Impacts of application of amendments to IFRSs on the condensed consolidated financial statements

The table below illustrate the effects of the changes in accounting policy as a result of application of amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" on the condensed consolidated statement of financial position as at 1 January 2022 and 31 December 2022, and the condensed consolidated statement of profit or loss and other comprehensive income and (loss)/ earnings per share for the six months ended 30 June 2022:

	1 January 2022 (Originally stated)	Adjustment	**1 January 2022** (Restated)
	RMB'000	*RMB'000*	*RMB'000*
Condensed statement of financial position			
Deferred tax liabilities	64,383	8,986	73,369
Net assets	19,434,877	(8,986)	19,425,891
Accumulated profit	8,014,794	(8,986)	8,005,808
Total equity	18,753,882	(8,986)	18,744,896

	31 December 2022 (Originally stated)	Adjustment	**31 December 2022** (Restated)
	RMB'000	*RMB'000*	*RMB'000*
Condensed statement of financial position			
Deferred tax liabilities	49,203	2,277	51,480
Net assets	19,434,877	(2,277)	19,432,600
Accumulated profit	8,526,261	(2,277)	8,523,984
Total equity	19,434,877	(2,277)	19,432,600

	Six months ended 30 June 2022		
	(Originally stated)	Adjustment	(Restated)
	RMB'000	*RMB'000*	*RMB'000*
Condensed statement of profit or loss and other comprehensive income			
Income tax expense	273,456	(3,355)	270,101
Profit for the period	468,716	3,355	472,071
Profit for the period attributable to equity shareholders of the Company	477,009	3,355	480,364
Total comprehensive income for the period	462,058	3,355	465,413
Total comprehensive income for the period attributable to equity shareholders of the Company	470,351	3,355	473,706

	Six months ended 30 June 2022		
	(Originally stated)	Adjustment	(Restated)
Earnings per shares			
Basic earnings per share (RMB)	0.11	–	0.11
Diluted earnings per share (RMB)	0.11	–	0.11

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	
	2023	2022
	RMB'000	*RMB'000*
Sales of cement	**7,041,690**	8,328,072
Sales of clinker	**979,924**	887,182
Sales of concrete	**582,447**	658,380
Sales of other products	**247,046**	258,064
	8,851,107	10,131,698

The Group's revenues for the six months ended 30 June 2023 and 2022 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.

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 and other corporate assets. Segment liabilities include trade payables, other payables and accrued expenses and 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, gain/(loss) on fair value changes of financial assets at fair value through profit or loss ("**FVTPL**"), directors' remuneration, auditor's remuneration and finance costs in relation to the unallocated bank loans. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

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 period is set out below.

	2023					2022				
	Shandong Province	**Northeastern China**	**Shanxi Province**	**Xinjiang Region**	**Total**	Shandong Province	Northeastern China	Shanxi Province	Xinjiang Region	Total
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June										
Disaggregated by timing of revenue										
Point in time	**5,488,660**	**2,005,307**	**1,083,422**	**268,242**	**8,845,631**	6,751,686	1,938,197	1,165,968	270,663	10,126,514
Over time	**2,890**	**680**	**1,704**	**202**	**5,476**	2,676	166	2,342	–	5,184
Revenue from external customers	**5,491,550**	**2,005,987**	**1,085,126**	**268,444**	**8,851,107**	6,754,362	1,938,363	1,168,310	270,663	10,131,698
Inter-segment revenue	**411,768**	**34,934**	**8,641**	**–**	**455,343**	563,709	84,300	12,322	–	660,331
Reportable segment revenue	**5,903,318**	**2,040,921**	**1,093,767**	**268,444**	**9,306,450**	7,318,071	2,022,663	1,180,632	270,663	10,792,029
Reportable segment profit/(loss) (adjusted profit/(loss) before taxation)	**410,493**	**(319,855)**	**(34,431)**	**51,057**	**107,264**	1,012,499	(72,624)	145,595	79,191	1,164,661
As at 30 June/31 December										
Reportable segment assets	**16,080,431**	**9,494,233**	**5,923,063**	**990,445**	**32,488,172**	15,940,368	8,746,040	5,469,902	1,021,911	31,178,221
Reportable segment liabilities	**7,062,936**	**3,929,610**	**1,495,042**	**154,410**	**12,641,998**	4,380,021	2,847,042	940,334	230,216	8,397,613

(ii) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
(Loss)/profit		
Reportable segment profit	**107,264**	1,164,661
Elimination of inter-segment profit	**(126,779)**	(335,775)
Reportable segment (loss)/profit derived from the Group's external customers	**(19,515)**	828,886
Share of results of associates	**(1,241)**	4,616
Gain/(loss) on fair value changes of financial assets at FVTPL	**1,360**	(1,265)
Unallocated finance costs	**(54,952)**	(56,291)
Unallocated head office and corporate expenses	**(88,284)**	(33,774)
Consolidated (loss)/profit before taxation	**(162,632)**	742,172

4 SEASONALITY OF OPERATIONS

The Group generally experiences higher cement demands in the second half of the year compared to the first half of the year due to construction season starting at the 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	
	2023	2022
	RMB'000	*RMB'000*
Interest income	**10,736**	9,146
Government grants *(note)*	**58,368**	74,783
Amortisation of deferred income	**5,651**	5,195
Others	**20,711**	19,256
	95,466	108,380

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.

6 OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Net foreign exchange loss	**(43,580)**	(8,612)
Net loss from disposal of property, plant and equipment	**(3,687)**	(21,020)
Impairment loss on property, plant and equipment	**(11,809)**	(8,742)
Donations	**(3,835)**	(17,307)
Gain/(loss) on fair value changes of financial assets at FVTPL	**1,360**	(1,265)
Others	**(16,805)**	5,098
	(78,356)	(51,848)

7 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest on bank loans	**78,444**	56,444
Interest on lease liabilities	**1,439**	1,445
Less: capitalised interest expenses(*)	**–**	(100)
Net interest expenses	**79,883**	57,789
Unwinding of discount	**6,843**	6,213
Bank charges	**31,973**	21,210
	118,699	85,212

* The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation related to construction of plant was 4.35% for the six months ended 30 June 2022 (six months ended 30 June 2023: Nil).

(b) Other items

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Depreciation		
– property, plant and equipment	**587,251**	585,375
– right-of-use assets	**44,025**	41,298
Amortisation		
– intangible assets	**113,307**	87,947

8 INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
Current tax expenses		
Provision for the PRC income tax	**118,104**	280,614
Overprovision in prior years	**(1,899)**	(2,163)
	116,205	278,451
Deferred taxation	**29,079**	(8,350)
	145,284	270,101

Notes:

(i) The Group's PRC subsidiaries are subject to PRC income tax at the statutory rate of 25% (six months ended 30 June 2022: 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 2022: 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 2023 (six months ended 30 June 2022: nil).

9 DIVIDEND

The Board does not recommend the payment of any interim dividends for the six months ended 30 June 2023.

During the Reporting Period, a final dividend of no more than RMB0.07 per share for the year ended 31 December 2022 (the "**2022 Final Dividend**") (2021: RMB0.256 per share) has been proposed by the directors of the Company on 15 March 2023.

The Company has made an application for a validation order for payment of the final dividend of no more than RMB0.256 per share for the year ended 31 December 2021 (the "**2021 Final Dividend**") (the "**Validation Application**") as resolved at the annual general meeting of the Company held on 27 May 2022. Subsequent to the hearing on the Company's Validation Application in relation to the 2021 Final Dividend by the Grand Court of the Cayman Islands (the "**Grand Court**") on 24 February 2023, the Grand Court thoroughly considered factors such as the equal treatment of the shareholders of the Company, the Listing Rules, and the desire not to complicate the course of any hypothetical winding up. The Grand Court handed down its judgment on the Validation Application and dismissed the Validation Application on 31 March 2023. As a result of the judgment, the 2021 Final Dividend will not be payable to the shareholders of the Company.

Given the Grand Court has dismissed the Company's Validation Application in relation to the 2021 Final Dividend and the 2022 Final Dividend is also subject to a validation order from the Grand Court, the Board considers that the Grand Court is unlikely to grant such validation order. On 3 April 2023, the board of directors of the Company announced that it has therefore decided to withdraw its recommendation made on 15 March 2023 of the 2022 Dividend of no more than RMB0.07 per share. The Company did not seek its shareholders' approval at the annual general meeting in respect of the 2022 Final Dividend.

Further details are disclosed in the Company's announcements dated 21 March 2022, 27 May 2022, 27 February 2023, 15 March 2023 and 3 April 2023.

Except as disclosed above, no dividends was paid, declared or proposed to equity shareholders of the Company during the six months ended 30 June 2022 and 2023.

10 (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
Earnings figures:		
(Loss)/profit for the period attributable to owners of the Company and (loss)/earnings for the purposes of basic and diluted (loss)/earnings per share	**(236,847)**	480,364
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	**4,353,966,228**	4,353,966,228

The computation of diluted (loss)/earnings per share does not assume the exercise of the share options granted by the Company in 2015 because the exercise price of these share options was higher than the average market price of the shares for both periods.

11 TRADE AND BILLS RECEIVABLES

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
Bills receivables	**658,399**	387,133
Trade receivables	**1,735,435**	1,634,983
Less: allowance for credit losses	**(249,731)**	(258,385)
	2,144,103	1,763,731

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 2023	At 31 December 2022
	RMB'000	*RMB'000*
Within 3 months	**756,520**	649,160
3 to 6 months	**285,317**	286,605
6 to 12 months	**547,075**	228,950
Over 12 months	**555,191**	599,016
	2,144,103	1,763,731

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.

12 PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Deposit	**54,408**	43,902
Prepayments for raw materials	**238,690**	241,583
Prepayments for utilities	**80,420**	79,767
VAT recoverable	**403,569**	436,355
Amount due from related parties	**77,920**	93,678
Amount due from third parties	**391,074**	394,451
Others	**66,777**	145,602
	1,312,858	1,435,338

13 RESTRICTED BANK DEPOSITS

Restricted bank deposits as at 30 June 2023 include RMB708,611,000 (31 December 2022: RMB210,100,000) of cash deposits pledged to banks to secure banking facilities granted to the Group and for the performance guarantee in relation to certain contracts of sales or purchases of cement, and RMB14,100,000 (31 December 2022: RMB13,373,000) 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.

14 BANK LOANS

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

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Bank loans – Secured (*)	**1,568,867**	505,603
Bank loans – Unsecured	**3,710,000**	3,110,000
	5,278,867	3,615,603

* These bank loans were secured by certain plants and buildings with an aggregate carrying amount of RMB7,822,000 (31 December 2022: RMB8,123,000) and pledged bank deposits of RMB708,611,000 (31 December 2022: RMB210,100,000).

As at 30 June 2023, 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 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Within one year	**4,668,557**	2,780,603
After one year but within two years	**95,000**	835,000
After two years but within five years	**515,310**	–
	5,278,867	3,615,603

15 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 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Within 3 months	**2,349,449**	3,049,803
3 to 6 months	**625,308**	622,319
6 to 12 months	**766,764**	425,822
Over 12 months	**700,008**	613,062
	4,441,529	4,711,006

As at 30 June 2023 and 31 December 2022, all trade payables of the Group were expected to be settled within one year.

As at 30 June 2023, certain suppliers and third parties have initiated lawsuits against the Group to demand immediate settlement of trade payables with a carrying amount of RMB8,863,000 (31 December 2022: RMB40,498,000) 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.

16 OTHER PAYABLES AND ACCRUED EXPENSES

	Notes	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Accrued payroll and welfare		**142,243**	387,681
Taxes payable other than income tax		**178,766**	163,837
Staff compensation and termination provisions		**140,246**	143,721
Amount due to related parties		**935,882**	899,744
Payables to former shareholders of acquired subsidiaries		**58,344**	67,512
Acquisition consideration payables		**27,437**	27,437
Accrued expenses and other payables	(i)	**659,041**	601,649
		2,141,959	2,291,581

Notes:

(i) The amount mainly represents payable for acquisition of property, plant and equipment of RMB45,336,000 (31 December 2022: RMB45,862,000), payable for mine management of RMB123,946,000 (31 December 2022: RMB123,946,000), contract guarantee deposits from suppliers of RMB166,663,000 (31 December 2022: RMB116,356,000), payables for equipment maintenance of RMB146,852,000 (31 December 2022: RMB126,588,000) and interest payables of RMB747,000 (31 December 2022: RMB747,000).

As at 30 June 2023, certain suppliers and third parties have lawsuits against the Group to demand immediate settlement of other payables with carrying amount of RMB8,042,000 (31 December 2022: RMB16,463,000) plus interest for late payment, if any.

17 SHARE CAPITAL

	30 June 2023 and 31 December 2022	
	Number of shares	**RMB equivalent**
		RMB'000
Ordinary shares of the Company of USD0.01 each		
Authorised:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	10,000,000,000	701,472
Issued and fully paid:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	4,353,966,228	295,671

18 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2023 not provided for in the condensed consolidated financial statements were as follows:

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
Capital expenditure in respect of the acquisitions of fixed assets and intangible assets authorised and contracted for but not provided for in the condensed consolidated financial statements	**1,396,331**	1,457,927

19 CONTINGENT LIABILITIES AND OTHER EVENTS

(a) Litigation contingencies

As at 30 June 2023, 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 RMB21,847,000 (31 December 2022: RMB14,382,000), 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) Litigation in the Cayman Islands

The Company is facing a winding-up petition (the "**Cayman Petition**") before 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.

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. The orders sought by way of the Writ have since been amended (see below). The Company considers that there is no reasonable basis for the orders and/or declarations sought and will vigorously defend itself against the Writ and Tianrui's claim.

On 1 July 2022, the Caymen Islands Court of Appeal delivered its judgment ordering that the Writ be struck out as defective. The Certificate of the Order of the Court of Appeal was issued on 14 September 2022. However, the Court of Appeal did leave it open to Tianrui International to reconstitute the Writ as a derivative claim.

On 11 October 2022, the Court of Appeal granted Tianrui leave to appeal to Privy Council against its decision. On 23 December 2022, Tianrui filed a notice appeal to the Privy Council against the decision of the Court Appeal. Tianrui's appeal is still pending and has not yet been heard.

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 Cayman Petition. At the hearing of the Summons, Tianrui sought leave to re-amend the Cayman Petition, notably in order to join China National Building Materials Company Limited ("**CNBM**") and Asia Cement Corporation ("**ACC**") as respondents to the Cayman 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 Cayman Petition, and that the Cayman Petition be served on CNBM and ACC.

On 19 March 2021, the Cayman 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 Cayman 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 Cayman 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 Cayman 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.

A hearing took place on 23 May 2022 following which the Grand Court settled the list of issues between the parties to the Cayman Petition for the purposes of discovery. Parties attended a case management hearing on 22 November 2022 and made further written submissions on 3 February 2023 to settle outstanding issues in relation to discovery, which is pending a decision from the Grand Court.

(c) Litigation in Hong Kong

The Company and its subsidiaries, China Shanshui Cement Group (Hong Kong) Company Limited ("**CSCHK**") and China Pioneer Cement (Hong Kong) Company Limited ("**Pioneer**"), have been served with a writ of summons dated 28 June 2023 under the action number HCA 1013 of 2023 (the "**Writ of Summons**") issued by Tianrui Group Company Limited ("**Tianrui Group**") in the Court of First Instance of the High Court of The Hong Kong Special Administrative Region. In the Writ of Summons, Tianrui Group claims that it has extended loans to the Company, CSCHK, Pioneer and Shandong Shanshui Cement Group Company Limited and is claiming for repayment of the loans. For further details, please refer to the announcement published by the Company on 18 July 2023.

Other than the disclosure above, as at the date of this announcement, 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 2023, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC ENVIRONMENT AND INDUSTRY OVERVIEW

In the first half of 2023, under the macro environment of global economic growth slowing down and domestic economy continuing to recover against insufficient market demand, the national cement market generally presented the operating trend of "weakening demand, high-inventory and low-price level, and declining efficiency". The national cement output for the first half of the year has been the second lowest since the corresponding period in 2012 and only slightly better than the output of the same period in 2020. Specifically, the demand for cement rebounded in the first quarter of 2023 but weakened in the second quarter, and during the peak season, we saw lackluster performance and an intensified supply-demand unbalance, with cement price declining continuously to the record low and the factory price in some regions even falling to below the cost line.

Demand: Sluggish Demand in the Cement Market with an Overall Weak Momentum

In the first half of 2023, the national infrastructure investments maintained a relatively higher growth, which accelerated the promotion of water conservancy, transportation and other major infrastructure construction and provided an important support for strengthening the demand in cement. The real estate market is still at the bottom with more adjustments to be expected. The main economic indicators of the national real estate industry in the first half of the year declined substantially as compared with that of the same period of the previous year. Among them, the national real estate development enterprise investments, real estate development enterprise funds in place and new housing construction area fell 7.9%, 9.8% and 24.3% year on year, respectively. Affected by the downturn of the real estate market, the demand in cement was sluggish and the overall situation showed a downturn.

Cement demand in the first half of 2023 was mainly driven by infrastructure investments. However, as the real estate industry was faced with severe capital shortage and seriously inadequate new construction projects, cement demands in the real estate industry still showed a downward trend, without any potential improvement.

Downward Price of Cement Hitting a New Low

In the first half of 2023, the national monthly average price of cement market in general showed a tendency of continuous decline in a low range, representing a sharp decrease year-on-year. The decline was characterized by a weak recovery potential, accelerated falling towards a lower level and a record low. According to the observation of national P.O42.5 bulk cement market price made by Digital Cement, the average price of national cement market in the first half of the year was RMB421/ton, representing a year-on-year decrease of RMB78/ton as compared with that of the same period of last year, or approximately 16%. In the second quarter, the average price of national cement market was RMB413/ton, representing a year-on-year decrease of RMB70/ton as compared with that of the same period of last year, or approximately 14%; and a quarter-on-quarter decrease of RMB15/ton, or approximately 4%. Since the beginning of this year, the cement inventory has been at a high level, and the market was subject to greater pressure as the cement price declined further. The average price of the national cement market in June 2023 decreased below RMB400/ton to RMB393/ton, reaching its bottom of monthly prices since 2018.

The main reasons for the significant decrease in cement price: firstly, the impact of a higher base in the first half of last year; secondly, a sharp decline in the area of new construction in the real estate sector, tight project funding, shrinking market demand, and expansion of the conflict between supply and demand; thirdly, continuous high-level inventory, weaker effectiveness of control efforts at the supply side and fierce competition; and fourthly, the impact of constant decrease of coal prices.

In the first half of 2023, the national cement price was low and downward. Despite that cement enterprises were relieved from the overwhelming cost pressure as coal prices declined continuously at a pace greater than the drop of cement prices, the overall cement industry still recorded dismal profits. In the second half of the year, the real estate market is expected to gradually stabilize and improve with the support of favorable policies, the decline in demand for cement in the real estate sector is anticipated to narrow, and the national demand in cement is expected to grow stronger than that of the first half of the year. It is expected that the cement market price will reach its bottom and rebound, and the industry’s profit will be restored, but the total annual profit will be lower than that of the last year. **(Source: Digital Cement)**

Company's business review

In the first half of 2023, the Group has been continuously committed to refining our fundamental internal management to enhance the quality of existing manufacturing operations and the sustainability of profits.

As at 30 June 2023, the Group had a total production capacity of 91.95 million tonnes of cement, 50.22 million tonnes of clinker and 18.10 million cubic meters of concrete.

During the Reporting Period, the Group's total sales of cement and clinker were 27,014,000 tonnes, representing a YOY increase of 13.3%; sales volume of concrete was 1,497,000 cubic meters, representing a YOY decrease of 1.0%; sales revenue was RMB8,851,107,000, representing a YOY decrease of 12.6%; and the loss for the period was RMB307,916,000, as compared to a profit of RMB472,071,000 for the six months ended 30 June 2022.

REVENUE

The table below shows the sales breakdown by region during the Reporting Period:

Region	**January–June 2023** **Sales revenue** ***RMB'000***	**Proportion**	January–June 2022 Sales revenue *RMB'000*	Proportion	Change of sales revenue
Shandong Region	**5,491,550**	**62.0%**	6,754,362	66.7%	-18.7%
Northeast China Operating Region	**2,005,987**	**22.7%**	1,938,363	19.1%	3.5%
Shanxi Operating Region	**1,085,126**	**12.3%**	1,168,310	11.5%	-7.1%
Xinjiang Operating Region	**268,444**	**3.0%**	270,663	2.7%	-0.8%
Total	**8,851,107**	**100.0%**	10,131,698	100.0%	-12.6%

In the Reporting Period, the Group's revenue amounted to RMB8,851,107,000, representing a decrease of RMB1,280,591,000 or 12.6% from that of RMB10,131,698,000 for the corresponding period of 2022. The decrease in revenue was mainly attributable to the YOY decrease in cement price.

In respect of revenue contribution for the six months ended 30 June 2023, sales of cement and clinker accounted for 90.6% (2022: 91.0%) and the sales of ready-mix concrete accounted for 6.6% (2022: 6.5%).

The table below shows the sales breakdown by product during the Reporting Period:

Product	**January–June 2023** Sales revenue *RMB'000*	**Proportion**	January–June 2022 Sales revenue *RMB'000*	Proportion	Sales revenue YOY change
Cement	**7,041,690**	**79.5%**	8,328,072	82.2%	-15.4%
Clinker	**979,924**	**11.1%**	887,182	8.8%	10.5%
Concrete	**582,447**	**6.6%**	658,380	6.5%	-11.5%
Others	**247,046**	**2.8%**	258,064	2.5%	-4.3%
Total	**8,851,107**	**100.0%**	10,131,698	100.0%	-12.6%

COST OF SALES AND GROSS PROFIT

The Group's cost of sales primarily includes cost of raw materials, fuel expenses (consisting of coal and electricity), depreciation and amortization and other overhead costs. During the Reporting Period, the Group's cost of sales was RMB7,638,321,000 (2022: RMB7,995,743,000). The decrease in cost of sales was mainly due to the decline in cost of raw materials, prices of coal and cost of electricity for the period.

The gross profit for the six months ended 30 June 2023 was RMB1,212,786,000 (2022: RMB2,135,955,000), representing a gross profit margin of 13.7% on revenue (2022: 21.1%). The decrease in gross profit margin was mainly attributable to the decrease in cement price, partly offset by decreases in the costs of raw materials, coal and electricity.

FINANCIAL REVIEW

Other income

Other income decreased from RMB108,380,000 to RMB95,466,000, mainly due to the decrease in income from government grants received during the period as compared with the same period of last year.

Other gains and losses, net

Other losses increased from RMB51,848,000 to RMB78,356,000, mainly due to the increase in foreign exchange losses in the period as compared with the same period of last year.

Selling and marketing expense, administrative expense and finance expense

Selling and marketing expenses decreased from RMB158,356,000 to RMB142,057,000, representing a YOY decrease of 10.3%, which was mainly due to the decrease in the employee emolument and business entertainment expenses.

A YOY decrease of 0.3% from RMB616,470,000 to RMB614,339,000 was recorded in administrative expense, which was mainly due to the decrease in business entertainment expenses for the period.

A YOY increase of 39.3% from RMB85,212,000 to RMB118,699,000 was recorded in finance expense, which was mainly due to the increase in short-term borrowings in the period as compared with same period of last year.

Taxation

Income tax expenses declined from RMB270,101,000 to RMB145,284,000, representing a YOY decrease of 46.2%, which was mainly due to the decrease in the profit in the period.

(Loss)/profit for the period

During the Reporting Period, the Group recorded a net loss of RMB307,916,000, as compared to a net profit of RMB472,071,000 for the same period in 2022, which was mainly due to a YOY decrease in cement price, resulting in a significant decrease in gross profit.

FINANCIAL RESOURCES AND LIQUIDITY

As of 30 June 2023, the total of the interest-bearing bank borrowings was RMB5,278,867,000, of which RMB4,668,557,000 will be due within 12 months from the end of the Reporting Period. The directors of the Company have given careful consideration to the future liquidity, operating performance of the Group and its available sources of financing, and believe that the cash flow generated from operating activities and certain appropriate financing activities of the Group will be able to meet the funding needs of operations and repay the outstanding interest-bearing borrowings.

As at 30 June 2023, the total assets increased by approximately 3.6% to approximately RMB32,582,419,000 (31 December 2022: approximately RMB31,457,274,000), while total equity decreased by approximately 1.3% to approximately RMB19,177,930,000 (31 December 2022: approximately RMB19,432,600,000).

As at 30 June 2023, bank balances and cash of the Group was approximately RMB3,183,403,000 (31 December 2022: approximately RMB2,124,362,000).

As at 30 June 2023, net gearing ratio of the Group was approximately 9.9% (31 December 2022: 7.1%), each of which was calculated based on net debt and total equity as of 30 June 2023 and 31 December 2022. The slight increase of gearing ratio was due to the increase of bank borrowings for the period.

Cash flow

The analysis on cash flow during the Reporting Period is set out below:

(Unit: RMB'000)

	January–June 2023	January–June 2022
Net cash flow generated from operating activities	**505,994**	1,262,395
Net cash flow used in investing activities	**(1,118,760)**	(1,350,897)
Net cash flow generated from financing activities	**1,650,068**	470,136
Net change in cash and cash equivalents	**1,037,302**	381,634
Balance of cash and cash equivalents as at 1 January	**2,124,362**	1,423,171
Effect of foreign exchange rates change	**21,739**	(10,681)
Balance of cash and cash equivalents as at 30 June	**3,183,403**	1,794,124

Net cash generated from operating activities

During the Reporting Period, the Group recorded a net cash generated from operating activities of RMB505,994,000, representing a YOY decrease of RMB756,401,000, mainly due to the decrease in cement price, resulting in a decrease in revenue.

Net cash used in investing activities

During the Reporting Period, the Group recorded a net cash used in investing activities of RMB1,118,760,000, representing a YOY decrease of RMB232,137,000, mainly due to the decrease 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 generated from financing activities

During the Reporting Period, the Group recorded a net cash generated from financing activities of RMB1,650,068,000, representing a YOY increase of RMB1,179,932,000 mainly due to the increase of short-term borrowings in the period.

Capital expenditures

During the Reporting Period, the capital expenditures were approximately RMB504,988,000, which were mainly invested in the new construction and technical transformation of intelligent production, mine resource reserves, and cement and clinker production lines.

Outstanding capital commitments under relevant agreements not provided for in the financial statements as at 30 June 2023 were as follows:

(Unit: RMB'000)

	30 June 2023	31 December 2022
Authorised and contracted for		
– plant and equipment and intangible assets	**1,396,331**	1,457,927
Authorised but not contracted for		
– plant and equipment and intangible assets	**1,157,686**	1,430,757
Total	**2,554,017**	2,888,684

Pledge of assets

Details in relation to pledge of assets of the Group as at 30 June 2023 are set out in note 14 to the announcement.

Contingent liabilities

Details in relation to contingent liabilities of the Group as at 30 June 2023 are set out in note 19 to the announcement.

Human resources

As at 30 June 2023, the Group had a total of 16,592 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.

Material acquisition and disposal of subsidiaries and affiliated companies

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

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.

The Group did not use any financial derivatives to hedge against any foreign exchange exposure.

OUTLOOK FOR THE SECOND HALF OF THE YEAR

Operational situation analysis

In the first half of the year, as the real estate market remained weak and infrastructure investments injected limited power to the growth of cement sales, cement demands witnessed feeble recovery, and the market saw a narrower gap between peak and off-peak seasons. Faced with a complex and severe market situation, the industry continued to promote off-peak production, and some enterprises reduced or suspended production, with the hope of maintaining price stable and reducing inventory. But such efforts did not deliver expected effectiveness, and cement prices in many regions declined sharply year on year. In spite of the significant reduction of unit production cost, the Company still could not manage to cover the price decline and therefore recorded fewer profits. For the second half of the year, one expectation is that cement demands will be sustained by continuous investments in high-quality infrastructure projects as the real estate market will recover under favorable policies released. Another expectation is that the cement industry will accelerate the supply-side reform to gradually eliminate ineffective and low-end supply with the support of "dual-carbon" and "dual-control" policies, and the industry will embrace a healthier development and greater stability.

Company Business Outlook for the Second Half of the Year

(I) The Company plans to develop the cement market with utmost efforts. Remaining demand-oriented, it will implement differentiated marketing strategies according to local conditions when the time is ripe to do so, facilitate subsidiaries to fully unleash marketing vitality and further consolidate competitive advantages in customer accumulation, brand quality and service assurance. At the same time, it will focus on developing characteristic building materials of low-carbon and low-magnetic nature in accordance with market demand, aiming to develop traditional and emerging markets simultaneously.

(II) The Company plans to further develop the potential of cost reduction. It will deepen delicacy management and comprehensively implement the "improvement, economy and reduction" measures to create greater benefits. One of the plans is to strengthen production management and, with reference to models of high-efficiency enterprises, implement targeted measures that set clear goals for key indicators such as cost and energy consumption, to improve the operation quality and efficiency of all production lines. Another plan is to enhance procurement management and refine the management of comparable materials. It will make sure comparison and analysis is conducted reasonably, information of market differences and industry changes is accurate and procurement strategies are developed in a scientific manner. It will engage with upstream sources, further promote "disintermediation" and establish direct supply cooperation with more suppliers who are industry leaders, so as to explore greater space for reduction of raw material costs. The third plan is to intensify cost management and consolidate spending review management and budget execution to improve cost effectiveness. It will also practice strict frugality and stringent supervision and approval, and rigorously control non-essential expenses.

(III) The Company plans to strengthen risk prevention and control. One of the initiatives is to closely track policies related to energy conservation, environmental protection, carbon emission "dual control" and elimination of outdated capacity and take proactive measures to cope with policy risks to improve sustainability. Second is to persist in targeted investment, maximize the yields of limited capitals, improve capital operation and set financial plans in a scientific and reasonable manner to ensure secure and stable capital chain. Third is to enhance safety management measures, including production inspection, safety supervision, risk warning and emergency response, and further consolidate subsidiaries' capabilities to ensure work safety, so as to improve intrinsic safety. Fourth is to promote stronger quality control and inspection efforts to prevent quality risks.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023.

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining good corporate governance standards.

The Company has applied the principles and the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 C.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. LI Huibao, 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).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions By Directors as set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific inquiries to all Directors, all Directors confirmed that they have complied with the Model Code throughout the Reporting Period.

REVIEW OF INTERIM REPORT AND RESULTS ANNOUNCEMENT BY AUDIT COMMITTEE

The Audit Committee comprises the three independent non-executive Directors who reviewed the unaudited interim results and report of the Group for the six months ended 30 June 2023, and discussed with the Company's management regarding risk management, internal control and other important matters.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND REPORT

This interim results announcement is available on the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the website of the Company (http://www.sdsunnsygroup.com). The interim report of the Company for the six months ended 30 June 2023 will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

On behalf of the Directors, I would like to express my sincere gratitude to our creditors, shareholders, customers and business partners for their great support, and all our employees for their dedication and hard work.

By Order of the Board
China Shanshui Cement Group Limited
LI Huibao
Chairman

Hong Kong, 4 August 2023

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. LI Huibao, Ms. WU Ling-ling and Mr. HOU Jianguo; and three independent non-executive Directors, namely Mr. CHANG Ming-cheng, Mr. LI Jianwei and Mr. HSU You-yuan.