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

2023 Interim Report

Contents

(I) Definitions

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

"Company" or "China Shanshui" or "Shanshui Cement"	China Shanshui Cement Group Limited
"Group" or "China Shanshui Group"	the Company and its subsidiaries
"Financial Statements"	the consolidated financial statements of the Group
"Reporting Period"	the period from 1 January 2023 to 30 June 2023
"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"	Tianrui (International) Holding 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 at the Eastern Shandong Province, including Weifang, Qingdao, Yantai and Weihai, etc
"Western Shandong Operating Region"	business located at the Central and Western Shandong Province, including Zibo, Jinan and Hebei Province and Tianjin, etc

"Southern Shandong Operating Region"	business located at the Southern Shandong Province, including Zaozhuang, Jining, Heze and Henan Province, etc
"Northeast China Operating Region"	business located at Liaoning Province, the Eastern Inner Mongolia and Jilin Province, etc
"Shanxi Operating Region"	business located at Shanxi Province and Shaanxi Province, etc
"Xinjiang Operating Region"	business located at 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 25 May 2023
"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. LI Huibao *(Chairman)*
Ms. WU Ling-ling
Mr. HOU Jianguo

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 *(dissolved with effect from 16 March 2023)*

Mr. LI Huibao *(Chairman)*
Ms. WU Ling-ling
Mr. HOU Jianguo

Nomination Committee

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

Environmental, Social and Governance Committee *(established with effect from 21 April 2023)*

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

(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	:	Third 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	:	5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong
(4)	Website	:	http://www.sdsunnsygroup.com
(5)	Authorised Representatives	:	LI Huibao 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 *(Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)*

(III) Key Data

1. KEY FINANCIAL DATA

(Unit: RMB'000)

	January to June 2023	January to June 2022 (Restated)
Operating revenue	**8,851,107**	10,131,698
Gross profit	**1,212,786**	2,135,955
Gross profit margin	**13.7%**	21.1%
(Loss)/profit from operations	**(42,692)**	822,768
(Loss)/profit margin from operations	**-0.5%**	8.1%
(Loss)/profit for the period	**(307,916)**	472,071
Attributable to:		
Shareholders of the Company	**(236,847)**	480,364
Non-controlling shareholders	**(71,069)**	(8,293)
Basic (loss)/earnings per share *(RMB) (Note)*	**(0.05)**	0.11
Net cash generated from operating activities	**505,994**	1,262,395

Note: Basic (loss)/earnings per share is calculated based on the (loss)/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 2023	31 December 2022 (Restated)
Total assets	**32,582,419**	31,457,274
Total liabilities	**13,404,489**	12,024,674
Total equity attributable to equity shareholders of the Company	**18,988,967**	19,161,336
Net gearing ratio *(Note)*	**9.9%**	7.1%

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

2. KEY BUSINESS DATA

	January to June 2023	January to June 2022
Sales volume of cement *('000 tonnes)*	**23,149**	21,192
Sales volume of clinker *('000 tonnes)*	**3,865**	2,656
Sales volume of concrete *('000 m^3)*	**1,497**	1,512
Unit selling price of cement *(RMB/tonne)*	**304.2**	393.0
Unit selling price of clinker *(RMB/tonne)*	**253.5**	334.0
Unit selling price of concrete *(RMB/m^3)*	**389.1**	435.4

1. OPERATING 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.

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW (CONTINUED)

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 YOY decrease. 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 YOY 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 YOY 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)

2. RESULTS OF OPERATIONS

As of 30 June 2023, the Group had a total production capacity of 91.95 million tonnes of cement, 50.22 million tonnes of clinker and 18.1 million cubic meters of concrete.

Revenue

The sales revenue was RMB8,851,107,000, representing a YOY decrease of 12.6%, with revenue analysis by product as follows:

(1) YOY analysis of product sales volume, unit price and revenue

	January to June 2023				January to June 2022			
Product	**Sales volume**	**Average selling price**	**Amount**	**Proportion**	Sales volume	Average selling price	Amount	Proportion
	(thousand tonnes/ thousand cubic meters)	***(RMB/ tonne)***	***RMB'000***		*(thousand tonnes/ thousand cubic meters)*	*(RMB/ tonne)*	*RMB'000*	
Cement	**23,149**	**304.2**	**7,041,690**	**79.5%**	21,192	393.0	8,328,072	82.2%
Clinker	**3,865**	**253.5**	**979,924**	**11.1%**	2,656	334.0	887,182	8.8%
Concrete	**1,497**	**389.1**	**582,447**	**6.6%**	1,512	435.4	658,380	6.5%
Others *(Note)*	**N/A**	**N/A**	**247,046**	**2.8%**	N/A	N/A	258,064	2.5%
Total			**8,851,107**	**100.0%**			10,131,698	100.0%

Note: Mainly includes sales of aggregates, waste materials, slag powder and waste heat power generation, etc.

During the Reporting Period, the Group's external sales volume of cement and clinker increased by 1,957,000 tonnes and 1,209,000 tonnes respectively as compared to the same period of 2022, representing an increase of 9.2% and 45.5%, respectively. The external sales volume of concrete decreased by 15,000 cubic meters as compared to the same period of 2022, representing a decrease of 1.0%. The increase in sales volume of cement during the period was mainly attributable to the improvement in retail sales and an increase in key infrastructural projects due to the end of the global pandemic.

During the Reporting Period, the Group's average selling prices of cement, clinker and concrete decreased by RMB88.8, RMB80.5 and RMB46.3, respectively, representing a decrease of 22.6%, 24.1% and 10.6%, respectively, as compared to the same period of 2022.

Cement sales for concrete production within the Group amounted to 338,454 tonnes from January to June 2023 (The same period of 2022: 331,545 tonnes), accounting for 1.5% of total cement sales (The same period of 2022: 1.6%) .

2. RESULTS OF OPERATIONS (CONTINUED)

Revenue (Continued)

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

Product	January to June 2023 Sales volume ('000 tonnes)	January to June 2023 Sales proportion	January to June 2022 Sales volume ('000 tonnes)	January to June 2022 Sales proportion	Change in sales volume
High grade cement	**21,613**	**93.4%**	19,907	93.9%	8.6%
Low grade cement	**1,536**	**6.6%**	1,285	6.1%	19.5%

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

During the Reporting Period, sales volume of high grade cement was 21,613,000 tonnes, representing a YOY increase of 8.6%, and sales volume of low grade cement was 1,536,000 tonnes, representing a YOY increase of 19.5%.

2. RESULTS OF OPERATIONS (CONTINUED)

Revenue (Continued)

(3) Cement sales volume by region

Region	January to June 2023				January to June 2022			
	Sales volume	**Average selling price**	**Amount**	**Proportion**	Sales volume	Average selling price	Amount	Proportion
	(thousand tonnes/thousand cubic meters)	***(RMB/ tonne)***	***RMB'000***		*(thousand tonnes/ thousand cubic meters)*	*(RMB/ tonne)*	*RMB'000*	
Shandong Region	**13,119**	**329.7**	**4,324,850**	**61.4%**	13,152	424.7	5,586,050	67.1%
Eastern Shandong Operating Region	**4,959**	**342.8**	**1,699,970**	**24.1%**	5,288	441.4	2,334,064	28.1%
Western Shandong Operating Region	**5,380**	**336.6**	**1,810,929**	**25.7%**	5,437	426.1	2,316,597	27.8%
Southern Shandong Operating Region	**2,780**	**292.8**	**813,951**	**11.6%**	2,427	385.4	935,389	11.2%
Northeast China Operating Region	**6,498**	**246.7**	**1,603,346**	**22.8%**	5,175	316.1	1,635,652	19.6%
Shanxi Operating Region	**2,947**	**289.8**	**853,938**	**12.1%**	2,289	365.9	837,629	10.1%
Xinjiang Operating Region	**585**	**443.7**	**259,556**	**3.7%**	576	466.6	268,741	3.2%
Total	**23,149**	**304.2**	**7,041,690**	**100.0%**	21,192	393.0	8,328,072	100.0%

2. RESULTS OF OPERATIONS (CONTINUED)

Cost of sales

(Unit: RMB'000)

	January to June 2023		January to June 2022		Change of
Cost of sales	**Amount**	**Proportion to revenue**	Amount	Proportion to revenue	proportion to revenue
Raw materials	**2,696,054**	**30.5%**	2,574,555	25.4%	5.1 P.Pts.
Coal	**2,237,015**	**25.3%**	2,654,929	26.2%	-0.9 P.Pts.
Power	**684,757**	**7.7%**	705,074	7.0%	0.7 P.Pts.
Depreciation and amortisation	**440,805**	**5.0%**	441,509	4.4%	0.6 P.Pts.
Others	**1,579,690**	**17.8%**	1,619,676	16.0%	1.8 P.Pts.
Total cost of sales	**7,638,321**	**86.3%**	7,995,743	78.9%	7.4 P.Pts.

During the Reporting Period, the proportion of the Group's total cost of sales to revenue was 86.3%, representing a YOY increase of 7.4 percentage points. In particular, the costs of raw materials, electricity, depreciation and amortisation and other costs increased by 5.1, 0.7, 0.6 and 1.8 percentage points, respectively, and coal cost decreased by 0.9 percentage point as compared with the corresponding period of the previous year.

The YOY increase in raw materials cost was mainly attributable to the YOY increase in sales volume of cement and clinker, despite of lower prices of raw materials such as limestone and mineral powder. From January to June 2023, the average purchase price of coal decreased by approximately 15.6% to RMB1,029.2/tonne compared with the corresponding period of the previous year (RMB1,219.2/tonne). The unit coal consumption per tonne of clinker produced from January to June 2023 decreased to 118.3 kg from an average of 120.2 kg from January to June 2022. The average cost of coal per tonne of clinker produced from January to June 2023 decreased by 16.9% from the average of RMB146.6 from January to June 2022 to RMB121.8, due to a fall in coal prices. The YOY decrease in cost of electricity was mainly due to the decrease in electricity charge and power consumption for the period. The YOY depreciation and amortization costs were not significantly different. Other costs were lower than those of the corresponding period of the previous year, mainly due to lower maintenance and labour costs.

2. RESULTS OF OPERATIONS (CONTINUED)

Gross profit and gross profit margin

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 primarily due to lower cement prices, offset in part by lower costs of raw materials, coal and electricity.

Other income

Other income decreased from RMB108,380,000 to RMB95,466,000, mainly due to the decrease in grants received from the government 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 loss 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 remuneration and business entertainment expenses for the period.

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.

2. RESULTS OF OPERATIONS (CONTINUED)

Selling and marketing expense, administrative expense and finance expense (Continued)

Finance costs increased from RMB85,212,000 to RMB118,699,000, representing a YOY increase of 39.3%, 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 dropped from RMB270,101,000 to RMB145,284,000, representing a YOY decrease of 46.2%, which was mainly due to the decrease in profit for the period.

(Loss)/profit for the period

The Group recorded a net loss of RMB307,916,000, representing a decrease of RMB779,987,000 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 prices for the period, resulting in a significant decrease in gross profit.

3. FINANCIAL RESOURCE AND LIQUIDITY

As of 30 June 2023, total assets increased by approximately 3.6% to approximately RMB32,582,419,000 (31 December 2022: approximately RMB31,457,274,000), and 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, the Group's net gearing ratio was approximately 9.9% (31 December 2022: 7.1%), calculated based on net debts and total equity as of 30 June 2023 and 31 December 2022, respectively. The increase in net gearing ratio was mainly due to the increase in bank loans for the period.

Bank balances and cash

As at 30 June 2023, the Group's bank balances and cash and restricted bank deposits were as follows:

	30 June 2023 ***RMB'000***	31 December 2022 *RMB'000*
Bank balances and cash	**3,183,403**	2,124,362
Restricted bank deposits	**722,711**	223,473
Total	**3,906,114**	2,347,835

Bank balances and cash/restricted bank deposits of the Group were denominated in the following currencies as at the end of the Reporting Period:

	30 June 2023 ***RMB'000***	31 December 2022 *RMB'000*
RMB	**3,387,214**	1,824,354
Hong Kong Dollar ("**HK$**")	**215,329**	214,357
United States Dollar ("**US$**")	**303,571**	309,124
Total	**3,906,114**	2,347,835

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Bank loans and other loans

Term of borrowings	**30 June 2023** ***RMB'000***	31 December 2022 *RMB'000*
Short-term borrowings (including long-term borrowings with maturity within one year)	**4,668,557**	2,780,603
Long-term borrowings	**610,310**	835,000
Total	**5,278,867**	3,615,603

As at 30 June 2023, all borrowings of the Group were denominated in Renminbi. The Group's total borrowings were RMB5,278,867,000, representing an increase of RMB1,663,264,000 as compared with the end of 2022. In particular, short-term borrowings amounted to RMB4,668,557,000, accounting for 88.4% of the Group's total borrowings. As at 30 June 2023, the Group's credit facilities approved by the banks were fully drawn down. As of the date of this report, the Group has obtained new bank loan facilities.

The Group adopts robust and prudent financial policies for treasury management. Treasury management, financing and investment activities are all managed and monitored by the senior management of the Company. The Group regularly monitors its current and expected liquidity needs as well as compliance with its bank loan agreements to ensure that it maintains sufficient cash reserves and funding flexibility to meet the Group's short-term and long-term liquidity needs.

The Group had net current liabilities of RMB1,873,962,000 as at 30 June 2023. Taking into account the cash and bank balances, the amount of funds that the Group expects to generate internally, the new bank loan facilities and other sources of financing to be obtained, the Board believes that the Group will be able to meet its financial obligations when they fall due in the foreseeable future.

For details in relation to the total borrowings of the Company, please refer to the relevant explanation in Note 16 to the Financial Statements.

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Capital expenditures

During the Reporting Period, capital expenditures were approximately RMB504,988,000, which were mainly used for investing in the new construction and technical transformation of intelligent production, mine resource reserves, cement and clinker production lines. The capital required for the Group's investment and construction is mainly financed by working capital generated from daily operations and certain bank borrowings.

Outstanding capital commitments under the production facility construction contracts and the equipment purchase contracts not provided for in the financial statements as at 30 June 2023 were as follows:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
Authorised and contracted for		
—plant and equipment	**1,396,331**	1,457,927
Authorised but not contracted for		
—plant and equipment	**1,157,686**	1,430,757
Total	**2,554,017**	2,888,684

As of 30 June 2023, the capital commitments authorised and contracted for by the Group amounted to RMB1,396,331,000, which represents a decrease of RMB61,596,000 or 4.2% as compared to the end of 2022. Capital commitments authorised but not contracted for as at 30 June 2023 amounted to RMB1,157,686,000.

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Net cash flow analysis

	January to June 2023 *RMB'000*	January to June 2022 *RMB'000*
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 changes in cash and cash equivalents	**1,037,302**	381,634
Balance of cash and cash equivalents at 1 January	**2,124,362**	1,423,171
Effect of foreign exchange rate changes	**21,739**	(10,681)
Balance of cash and cash equivalents 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 a decrease in revenue as a result of a decrease in cement price for the period.

Net cash used in investing activities

During the Reporting Period, the Group recorded a net cash used in investing activities of RMB1,118,760,000, 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 in short-term borrowings in the period.

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Material acquisition and disposal of subsidiaries and affiliated companies

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

Pledge of assets

Details in relation to pledge of assets of the Group as at 30 June 2023 are set out in Note 16 to the Financial Statements.

Contingent liabilities

Details in relation to contingent liabilities of the Group as at 30 June 2023 are set out in Note 23 to the Financial Statements.

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

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**").

The original intended use of proceeds as set out in the Convertible Bonds Announcements and the actual use of proceeds up to 30 June 2023 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 of 31 December 2021 and brought forward to 1 January 2022	Amount utilised from 1 January 2022 to 31 December 2022	Unutilized amount as of 31 December 2022 and brought forward to 1 January 2023	Amount utilised from 1 January 2023 to 30 June 2023	Unutilized amount as of 30 June 2023	Expected timeline for utilising the unutilised amount
First 2018 Convertible Bonds							
(i) redemption of the US$500,000,000 7.5% 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	45.4	1.8	43.6	2.3	41.3	On or before 31 December 2023
Total	531.6	45.4	1.8	43.6	2.3	41.3	

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

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

As at 30 June 2023, 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 month.

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.

During the Reporting Period, the Group did not employ any financial instruments for hedging purposes.

4. 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 the implementation of favorable policies. 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.

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

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

(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.

5. EMPLOYEES AND THEIR REMUNERATION

As of 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.

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 2023, 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 2023, 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 2023, 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%

2. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

(1) Shareholdings of substantial shareholders (Continued)

Name of shareholder	Number of Ordinary Shares interested(1)	Nature of interests	Percentage of Shares in issue
Yu Yuan Investment Corporation Limited	142,643,000 (L)	Beneficial owner	3.28%
	760,271,315 (L)(5)	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under s.317(1)(a) and s.318 of the SFO	17.46%
China National Building Material Group Co., Ltd.(6)	563,190,040 (L)	Interests of corporations controlled by substantial shareholder	12.94%
China National Building Material Company Limited(6)	563,190,040 (L)	Interests of corporations controlled by substantial shareholder	12.94%
China Building Material Holdings Co., Limited(6)	563,190,040 (L)	Beneficial owner	12.94%
Shen Neng International SPC – Green Planet SP(7)	434,897,854(L)	Beneficial owner	9.99%
Shen Neng Investment Management Limited(7)	434,897,854(L)	Beneficial owner	9.99%

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. According to the Form 2 filed on 25 July 2022 and 27 March 2023, a loan agreement entered into between Tianrui Group (as the borrower) and Bohai Bank (as the lender) on 24 February 2022 and 20 February 2023 respectively. Tianrui Group has pledged 951,462,000 shares held by it in favour of Bohai Bank. 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), which owned 100% of China Building Material Holdings Co., Limited.

(7) Shen Neng International SPC – Green Planet SP is wholly owned by Shen Neng Investment Management Limited.

(8) The number of issued shares of the Company as at 30 June 2023 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 at 30 June 2023, 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 2023, none of the Directors or the chief executives of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, which would be required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

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

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

4. SHARE OPTION SCHEME

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

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

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

By virtue of the High Court Miscellaneous Proceedings No. 593 of 2015 ("**HCMP593/2015**"), CSI has commenced an injunction application to apply to set aside the grant of the 207,300,000 share options in early 2015. A Consent Summons with Wong & Lawyers (for CSI in its capacity as minority shareholders) and Mayer Brown (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, 73,300,000 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.

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 169,936,000 Shares, representing approximately 65.28% of the Existing Scheme Mandate Limit and approximately 3.90% 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 90,400,000 Shares, representing approximately 2.08% of the share capital in issue (4,353,966,228 Shares) of the Company as of 30 June 2023.

Details of the options are set out as follows:

					Number of Share Options				
Type of Grantee	Date of Grant	Vesting period	Exercise period	Exercise price	Outstanding as at 31 December 2022	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at 30 June 2023
Other employee participants[1]	25 May 2011	Nil	25 May 2011 – 24 May 2021	HK$7.90	–	–	–	–	–
Other employee participants[1]	27 January 2015	Six months after the date of grant	27 July 2015 – 26 January 2025	HK$3.68	90,400,000	–	–	–	90,400,000
					90,400,000	–	–	–	90,400,000

Note:

(1) Other employee participants include directors and employees of the Company or any of its subsidiaries in accordance with Rule 17.03A of the Listing Rules.

Summary of the principal terms of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive for certain eligible participants 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 original 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.

4. SHARE OPTION SCHEME (CONTINUED)

Summary of the principal terms of the Share Option Scheme (Continued)

In accordance with the amendments to Chapter 17 of the Listing Rules relating to share schemes of listed issuers which have taken effect from 1 January 2023, Eligible Participants (as defined below) shall only include the following persons:

1. directors and employees of the Company and its subsidiaries;

2. directors and employees of the Company's holding company, fellow subsidiaries or associated companies;

3. persons who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group, excluding placement agents, financial advisers or professional service providers such as auditors or valuers (collectively, the "**Eligible Participants**").

In this connection, given the Share Option Scheme has expired on 4 July 2018, the Company will not grant any further options.

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 options granted by the Board on 25 May 2011 had no vesting period, were valid for ten years from 25 May 2011, and have lapsed in accordance with the terms of the Share Option Scheme. The vesting period of the options granted by the Board on 27 January 2015 is 6 months from the date of grant, and the validity of which 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.

Where the Company receives, on or before the latest day for acceptance, a copy of the letter containing acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 (as consideration for the grant thereof) , the option shall be deemed to have been granted and accepted by the grantee (subject to certain restrictions of the Share option Scheme). The remittance is not, in any circumstance, refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant grantee.

The Share Option Scheme is valid for ten years from 4 July 2008 (i.e. the effective date of the Share Option Scheme) and has expired on 4 July 2018, after which no further options will be granted but the provisions of the Share Option Scheme will remain in full force and effect in all other respects.

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

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. 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; and/or (ii) declarations setting aside the issue and subsequent conversion of the 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 Cayman 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 to reconstitute the Writ as a derivative claim.

On 11 October 2022, the Court of Appeal granted Tianrui leave to appeal to the Privy Council against its decision. On 23 December 2022, Tianrui filed a notice of appeal to the Privy Council against the decision of the Court of 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 Petition. At the hearing of the Summons, Tianrui sought leave to re-amend the Petition, notably in order to join China National Building Materials Company Limited ("**CNBM**") and Asia Cement Corporation ("**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.

1. MATERIAL LITIGATION IN THE CAYMAN ISLANDS (CONTINUED)

Cause Nos.: FSD 161 of 2018 and FSD 93 of 2019 (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 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 hearing took place on 23 May 2022 following which the Grand Court settled the list of issues between the parties to the 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 by the Grand Court.

On 28 November 2022, the Company applied for a validation order to make payment of the final dividend as resolved at the Annual General Meeting of the Company held on 27 May 2022, and a variation of a prior validation order dated 11 October 2018. Tianrui and the Company attended a hearing before the Grand Court on 24 February 2023 in respect of this application. Subsequent to the hearing on the Company's Validation Application in relation to the 2021 Final Dividend by the Grand Court on 24 February 2023, the Grand Court thoroughly considered factors such as the equal treatment of the Shareholders, 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 final dividend for the year ended 31 December 2021 will not be payable to the Shareholders.

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, 24 March 2021, 21 March 2022, 5 August 2022, 27 February 2023, 15 March 2023 and 3 April 2023.

2. MATERIAL LITIGATION IN HONG KONG

HCA 2880 of 2015 and CACV 91 of 2020

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

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

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

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

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

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-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-Amended Defence on 15 April 2021.

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 Orders and the January Injunction Orders 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.

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 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, 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, and/or (ii) stay this proceeding pending the determination of the winding-up petition issued by Tianrui 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.

HCA 1013 of 2023

The Company and its subsidiaries, China Shanshui Cement Group (Hong Kong) Company Limited ("**CSC HK**") 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, CSC HK, 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.

3. 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.

4. CONNECTED TRANSACTIONS

Details of the Company's related party transactions in accordance with its accounting standards are set out in Note 24 to the Financial Statements, of which the related party transactions disclosed in this section are "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules. The Company has complied with the relevant requirements under Chapter 14A of the Listing Rules as applicable to the Company.

Continuing Connected Transactions

The connected transactions entered into between the Company and China National Building Material Group Co., Ltd. ("**CNBMG**"), one of the substantial shareholders of the Company, as set out in this section below constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules as of 30 June 2023, the summary of which is as follows:

On 13 December 2021, Shandong Shanshui, the Company's main operating entity and indirect wholly-owned subsidiary, has entered into the following agreements with CNBMG, Shandong Quanxing Jingshi Cement Co., Ltd. ("**Shandong Quanxing**") and/or Shandong Donghua Cement Co., Ltd. ("**Shandong Donghua**"), each an affiliate of CNBMG:

(a) Mine Development Services Framework Agreement;

(b) Cement Production Equipment and Supplies Framework Agreement;

(c) Engineering and Technical Services Framework Agreement; and

(d) Clinker and Cement Transactions Framework Agreements (collectively, the "**2021 Framework Agreements**").

The 2021 Framework Agreements govern all existing contracts between the Company's group companies and CNBMG's group companies (or affiliates, as the case may be) on the relevant category of continuing connected transactions. All new continuing connected transactions between the Company's group companies and CNBMG's group companies (or affiliates, as the case may be) are carried out pursuant to the terms of such 2021 Framework Agreements and in compliance with the relevant requirements for continuing connected transactions under Chapter 14A of the Listing Rules. Please refer to the announcement dated 13 December 2021 and the circular dated 30 December 2021 published by the Company for details.

4. CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions (Continued)

Due to an expected decrease in the demand for the Engineering and Technical Services and Cement Production Equipment and Supplies provided by the CNBMG Group to the Group and the Clinker and Cement Transactions between the Group and CNBMG Group and/or Shandong Quanxing for the year ending 31 December 2023, the Board proposes to reduce the existing annual caps in respect of the Cement Production Equipment and Supplies, the Engineering and Technical Services and the Clinker and Cement Transactions for the year ending 31 December 2023. In addition, the 2021 Framework Agreements will expire on 31 December 2023 and it is currently expected that the transactions under the 2021 Framework Agreements will continue on a recurring basis. Therefore, on 21 April 2023, the Group has terminated the 2021 Framework Agreements and has entered into the following agreements with CNBMG and/or Shandong Quanxing, an affiliate of CNBMG:

(a) the 2023 Mine Development Services Framework Agreement;

(b) the 2023 Cement Production Equipment and Supplies Framework Agreement;

(c) the 2023 Engineering and Technical Services Framework Agreement; and

(d) the 2023 Clinker and Cement Transactions Framework Agreements (collectively, the "**2023 Framework Agreements**").

Please refer to the announcement dated 21 April 2023 and the circular dated 2 May 2023 published by the Company for details.

The amounts and annual limits of the transactions between Company's group companies and CNBMG's group companies or affiliates under the 2023 Framework Agreements as of 30 June 2023 are described as follows.

(Unit: RMB'000)

Type	Transaction amount	Annual caps for the year ending 31 December 2023
Mine Development Services	278,932	748,370
Cement Production Equipment and Supplies	7,134	40,000
Engineering and Technical Services	106,274	788,807
Clinker and Cement Transactions	38,102	300,000

4. CONNECTED TRANSACTIONS (CONTINUED)

Connected Transactions Exempted from Reporting, Announcement and Independent Shareholders' Approval Requirements

On 28 December 2016, the Company entered into a supplementary loan agreement with Tianrui Group, one of the substantial shareholders of the Company, pursuant to which Tianrui Group has granted an unsecured loan to the Company to satisfy senior notes due in 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 that 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 31 December 2023, the Group borrowed RMB1.635 billion in aggregate 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 in 2020 amounting to US$89.91 million.

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

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

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

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

As of 30 June 2023, outstanding borrowings of the Company from Tianrui Group was RMB926 million.

As the financial assistance received by the Group from Tianrui Group is on normal commercial terms or better and is not secured by the assets of the Group, this continuing connected transaction is fully exempt under Rule 14A.90 of the Listing Rules.

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

For the six months ended 30 June 2023 – Unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
			(restated)
Revenue	3, 4	**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

The notes on pages 45 to 76 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 2023 – Unaudited
(Expressed in Renminbi)

	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

The notes on pages 45 to 76 form part of these condensed consolidated financial statements.

(VII) Interim Financial Statements (Unaudited)
Condensed Consolidated Statement of Financial Position

At 30 June 2023 – Unaudited
(Expressed in Renminbi)

	Notes	**At 30 June 2023** ***RMB'000***	At 31 December 2022 *RMB'000* (restated)
Non-current assets			
Property, plant and equipment	11	**16,819,883**	16,963,357
Right-of-use assets	11	**2,290,269**	2,326,174
Intangible assets	11	**1,534,380**	1,569,445
Goodwill		**90,132**	90,132
Other financial assets		**19,568**	18,208
Interest 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	12	**2,787,622**	3,230,312
Trade and bills receivables	13	**2,144,103**	1,763,731
Prepayments and other receivables	14	**1,312,858**	1,435,338
Restricted bank deposits	15	**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	16	**4,668,557**	2,780,603
Trade payables	17	**4,441,529**	4,711,006
Other payables and accrued expenses	18	**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

(VII) Interim Financial Statements (Unaudited)

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2023 – Unaudited
(Expressed in Renminbi)

	Notes	**At 30 June 2023 *RMB'000***	At 31 December 2022 *RMB'000* (restated)
Non-current liabilities			
Bank loans – amount due after one year	16	**610,310**	835,000
Long-term payables		**243,586**	241,095
Defined benefit obligations	19	**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	20	**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

The notes on pages 45 to 76 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 2023 – Unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserves *RMB'000*	Other reserves *RMB'000*	Exchange reserves *RMB'000*	Accumulated profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2022, as previously reported	295,671	8,235,037	2,063,067	240,302	(360,637)	8,014,794	18,488,234	265,648	18,753,882
Impact of IAS 12 amendment *(note 2.4)*	–	–	–	–	–	(8,986)	(8,986)	–	(8,986)
At 1 January 2022 (restated)	295,671	8,235,037	2,063,067	240,302	(360,637)	8,005,808	18,479,248	265,648	18,744,896
Profit for the period	–	–	–	–	–	477,009	477,009	(8,293)	468,716
Impact of IAS 12 amendment *(note 2.4)*	–	–	–	–	–	3,355	3,355	–	3,355
Profit for the period (restated)	–	–	–	–	–	480,364	480,364	(8,293)	472,071
Other comprehensive expense for the period	–	–	–	–	(6,658)	–	(6,658)	–	(6,658)
Total comprehensive income for the period	–	–	–	–	(6,658)	480,364	473,706	(8,293)	465,413
Transfer between reserves	–	–	3,777	–	–	(3,777)	–	–	–
Appropriation to maintenance and production funds	–	–	122,856	–	–	(122,856)	–	–	–
Utilisation of maintenance and production funds	–	–	(89,070)	–	–	89,070	–	–	–
Distribution to non-controlling interests	–	–	–	–	–	–	–	(11,697)	(11,697)
Acquisition of non-controlling interests	–	–	–	(22,228)	–	–	(22,228)	19,228	(3,000)
At 30 June 2022	295,671	8,235,037	2,100,630	218,074	(367,295)	8,448,609	18,930,726	264,886	19,195,612
At 1 January 2023, as previously reported	**295,671**	**8,235,037**	**2,302,402**	**218,074**	**(413,832)**	**8,526,261**	**19,163,613**	**271,264**	**19,434,877**
Impact of IAS 12 amendment *(note 2.4)*	**–**	**–**	**–**	**–**	**–**	**(2,277)**	**(2,277)**	**–**	**(2,277)**
At 1 January 2023 (restated)	**295,671**	**8,235,037**	**2,302,402**	**218,074**	**(413,832)**	**8,523,984**	**19,161,336**	**271,264**	**19,432,600**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(236,847)**	**(236,847)**	**(71,069)**	**(307,916)**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**64,478**	**–**	**64,478**	**–**	**64,478**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**64,478**	**(236,847)**	**(172,369)**	**(71,069)**	**(243,438)**
Transfer between reserves	**–**	**–**	**794**	**–**	**–**	**(794)**	**–**	**–**	**–**
Appropriation to maintenance and production funds	**–**	**–**	**113,374**	**–**	**–**	**(113,374)**	**–**	**–**	**–**
Utilisation of maintenance and production funds	**–**	**–**	**(65,179)**	**–**	**–**	**65,179**	**–**	**–**	**–**
Distribution to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,232)**	**(11,232)**
At 30 June 2023	**295,671**	**8,235,037**	**2,351,391**	**218,074**	**(349,354)**	**8,238,148**	**18,988,967**	**188,963**	**19,177,930**

The notes on pages 45 to 76 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 2023 – Unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2023	2022
		RMB'000	*RMB'000*
Operating activities			
Cash generated from operations		**745,034**	1,742,554
Interest paid		**(78,444)**	(56,499)
Income tax paid		**(160,596)**	(423,660)
Net cash generated from operating activities		**505,994**	1,262,395
Investing activities			
Payment of purchase of long-term assets		**(367,112)**	(1,152,185)
Payment for deposit for purchase of fixed assets		**(137,876)**	(240,037)
Placement of restricted bank deposits		**(667,955)**	–
Others		**54,183**	41,325
Net cash used in investing activities		**(1,118,760)**	(1,350,897)
Financing activities			
Proceeds from new loans and borrowings		**3,084,264**	2,292,000
Repayment of loans and borrowings		**(1,421,000)**	(1,799,909)
Repayments of lease liabilities		**(1,964)**	(7,258)
Others		**(11,232)**	(14,697)
Net cash generated from financing activities		**1,650,068**	470,136
Net increase in cash and cash equivalents		**1,037,302**	381,634
Cash and cash equivalents at 1 January		**2,124,362**	1,423,171
Effect of foreign exchange rates changes		**21,739**	(10,681)
Cash and cash equivalents at 30 June, representing bank balances and cash		**3,183,403**	1,794,124

The notes on pages 45 to 76 form part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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 mandatory 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 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to IFRSs (Continued)

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 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to IFRSs (Continued)

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" (Continued)

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 2.4.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to IFRSs (Continued)

2.2 Impacts on application of Amendments to IAS 12 Income Taxes "International Tax Reform-Pillar Two Model Rules"

IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "**Pillar Two legislation**"). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current interim period because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.3 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"

In addition, the Group will apply Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies" which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's consolidated financial statements for the year ending 31 December 2023.

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 "Making Materiality Judgements" (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's accounting policies in the Group's annual consolidated financial statements for the year ending 31 December 2023.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to IFRSs (Continued)

2.4 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) *RMB'000*	Adjustment *RMB'000*	**1 January 2022** (Restated) *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) *RMB'000*	Adjustment *RMB'000*	**31 December 2022** (Restated) *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

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to IFRSs (Continued)

2.4 Impacts of application of amendments to IFRSs on the condensed consolidated financial statements (Continued)

	Six months ended 30 June 2022		
	(Originally stated) *RMB'000*	Adjustment *RMB'000*	(Restated) *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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

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, which is the manufacturing and sale 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.

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, and other corporate assets. Segment liabilities include trade payables, other payables and accrued expenses, certain 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

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 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

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(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 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

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 other 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 nil for the six months ended 30 June 2023 (six months ended 30 June 2022: 4.35%).

(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, 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.

9 DIVIDEND (CONTINUED)

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 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 detail is 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 PROPERTY, PLANT AND EQUIPMENTS, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

(a) During the six months ended 30 June 2023, the additions of property, plant and equipment, right-of-use assets and intangible assets of the Group amounted to RMB502,720,000 (six months ended 30 June 2022: RMB964,030,000), RMB7,004,000 (six months ended 30 June 2022: RMB103,023,000) and RMB78,242,000 (six months ended 30 June 2022: RMB242,182,000), respectively. Items of property, plant and equipment with net book value totalling RMB47,134,000 were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB53,199,000), resulting in a loss from disposal of RMB3,687,000 (six months ended 30 June 2022: RMB21,020,000).

(b) During the six months ended 30 June 2023, the Group entered into several new lease agreements with lease terms of 5 years to 15 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use assets of RMB1,116,000 (six months ended 30 June 2022: RMB9,553,000) and lease liabilities of RMB1,116,000 (six months ended 30 June 2022: RMB9,553,000).

12 INVENTORIES

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Raw materials	**905,713**	936,320
Semi-finished goods	**781,112**	1,048,193
Finished goods	**611,112**	700,372
Spare parts	**489,685**	545,427
	2,787,622	3,230,312

13 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.

14 PREPAYMENTS AND OTHER RECEIVABLES

	Note	**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	24(b)	**77,920**	93,678
Amount due from third parties		**391,074**	394,451
Others		**66,777**	145,602
		1,312,858	1,435,338

15 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. Further details of this litigation are set out in note 23.

16 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: RMB210,000,000).

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

17 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.

18 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
Amounts due to related parties	24(b)	**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

Note:

(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.

19 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.

20 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

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

(i) Fair value measurement and valuation process

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

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

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

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

Financial assets	Fair value as at 30/06/2023 *RMB'000*	Fair value as at 31/12/2022 *RMB'000*	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to the fair value
1 Equity securities listed in the PRC classified as financial assets at FVTPL	7,442	6,082	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	12,126	12,126	Level 3	Guideline public company method	Discount for lack of marketability 15% (31 December 2022: 15%)	The higher discount for lack of marketability, the lower the fair value.

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Reconciliation of level 3 fair value measurements

	Unlisted equity securities *RMB'000*
At 1 January 2022 (audited)	15,005
Fair value loss (included in profit or loss)	(1,740)
At 30 June 2022 (unaudited)	13,265
At 1 January 2023 (audited)	**12,126**
Fair value loss (included in profit or loss)	**–**
At 30 June 2023 (unaudited)	**12,126**

(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.

22 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 *RMB'000*	At 31 December 2022 *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

23 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 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.

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 Cayman 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.

23 CONTINGENT LIABILITIES AND OTHER EVENTS (CONTINUED)

(b) Litigation in the Cayman Islands (Continued)

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.

23 CONTINGENT LIABILITIES AND OTHER EVENTS (CONTINUED)

(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 report, 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.

24 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	
	2023	2022
	RMB'000	*RMB'000*
Sales		
Associates of the Group	**3,482**	79
Fellow subsidiary of a major shareholder of the Company	**1,708**	899
Subsidiaries of a major shareholder of the Company	**2,288**	9,908
	7,478	10,886
Purchase		
Associates of the Group	**4,583**	–
Fellow subsidiary of a major shareholder of the Company	**6,923**	12,809
Subsidiaries of a major shareholder of the Company	**32,327**	77,026
Associate of a major shareholder of the Company	**1,990**	2,300
	45,823	92,135
Mining service fee		
Fellow subsidiary of a major shareholder of the Company	**3**	–
Subsidiaries of a major shareholder of the Company	**278,929**	250,060
	278,932	250,060
Engineering service fee		
Fellow subsidiary of a major shareholder of the Company	**777**	843
Subsidiaries of a major shareholder of the Company	**105,497**	265,314
	106,274	266,157
Management fee		
Associates of the Group	**266**	22,237
Transportation fee		
Associates of the Group	**115,835**	64,330

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.

24 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 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
Trade receivables from (Note (i)):		
Subsidiaries of a major shareholder of the Company	**219,582**	179
Prepayments to (Note (i)):		
Associates of the Group	**1**	–
Fellow subsidiary of a major shareholder of the Company	**19,165**	2,659
Subsidiaries of a major shareholder of the Company	**54,222**	78,779
Associate of a major shareholder of the Company	**222**	222
	73,610	81,660
Other receivables from (Note (i)):		
Shareholder of the Company	**802**	775
Associates of the Group	**1,116**	10,371
Fellow subsidiary of a major shareholder of the Company	**15**	–
Subsidiaries of a major shareholder of the Company	**2,314**	872
Associate of a major shareholder of the Company	**63**	–
	4,310	12,018
	77,920	93,678

24 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties (Continued)

	As at 30 June 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
Trade payable to (Note (i)):		
Associates of the Group	**70,427**	58,793
Fellow subsidiary of a major shareholder of the Company	**1,094**	1,391
Subsidiaries of a major shareholder of the Company	**324,311**	344,443
	395,832	404,627
Contract liabilities from (Note (i)):		
Associates of the Group	**1,190**	305
Fellow subsidiary of a major shareholder of the Company	**252**	1,966
Subsidiaries of a major shareholder of the Company	**510**	499
Associate of a major shareholder of the Company	**–**	8
	1,952	2,778
Other payables to:		
Shareholder of the Company *(Note (ii))*	**925,724**	895,990
Associates of the Group	**1,413**	95
Subsidiaries of a major shareholder of the Company	**8,745**	3,659
	935,882	899,744

Note(s):

(i) The amounts are payable based on agreed payment terms.

(ii) The amount represented loans from Tianrui Group which are denominated in USD and HKD. As at 30 June 2023, the outstanding loans with total principal of RMB925,724,000 (31 December 2022: RMB895,990,000) are unsecured, interest free and repayable on demand.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

24 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel remuneration

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

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Salary, allowances and other benefits	**5,564**	4,951
Contribution to defined contribution retirement plans	**325**	305
	5,889	5,256

I. INTERIM DIVIDEND

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

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 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).

IV. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific inquiries to all Directors, all Directors confirmed that they have complied with the Model Code 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 2023 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 of Directors of the Company are set out below:

1. With effect from 16 March 2023, the executive committee of the Company has been dissolved. Mr. LI Huibao ceased to be the chairman of the executive committee, and Ms. WU Ling-ling and Mr. HOU Jianguo ceased to be members of the executive committee.

2. With effect from 21 April 2023, the environmental, social and governance committee has been established. Mr. LI Huibao was appointed as the chairman of the environmental, social and governance committee, and Ms. WU Ling-ling, Mr. HOU Jianguo, Mr. CHANG Ming-cheng, Mr. LI Jianwei and Mr. HSU You-yuan were appointed as members of the environmental, social and governance committee.

3. With effect from 27 June 2023, Ms. WU Ling-ling was appointed as the director of ACC (its shares are listed on the Taiwan Stock Exchange (stock code: 1101)).

VII. AMENDMENTS TO MEMORANDUM AND ARTICLES OF ASSOCIATION

During the Reporting Period, the Company has adopted the Amended and Restated Memorandum and Articles of Association by way of special resolution on 25 May 2023. For further details, please refer to the announcements published by the Company on 15 March 2023 and 25 May 2023.