



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

2017 Interim Report



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(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
“Reporting Period”	the period from 1 January 2017 to 30 June 2017
“Board”	the Board of Directors of the Company
“Director(s)”	the Directors of the Company
“China Shanshui (HK)”	China Shanshui Cement Group (Hong Kong) Company Limited
“Pioneer Cement”	China Pioneer Cement (Hong Kong) Company Limited
“Continental Cement”	Continental Cement Corporation
“American Shanshui”	American Shanshui Development Inc.
“Shandong Shanshui”	Shandong Shanshui Cement Group Company Limited
“ACC”	Asia Cement Corporation
“CNBM”	China National Building Material Company Limited
“CSI”	China Shanshui Investment Company Limited
“Tianrui Group”	Tianrui Group Company Limited
“Shandong Region”	business covered by Eastern Shandong Operating Region, Western Shandong Operating Region and Southern Shandong Operating Region
“Eastern Shandong Operating Region”	business located in Eastern Shandong Province, including Weifang, Qingdao, Yantai and Weihai, etc
“Western Shandong Operating Region”	business located in Central and Western Shandong Province, including Zibo, Jinan and Hebei Province and Tianjin, etc

(I) Definitions

“Southern Shandong Operating Region”	business located in Southern Shandong Province, including Zaozhuang, Jining, Heze and Henan Province, etc
“Northeast China Operating Region”	business located in Liaoning Province, Eastern Inner Mongolia and Jilin Province, etc
“Shanxi Operating Region”	business located in Shanxi Province and Shaanxi Province, etc
“Xinjiang Operating Region”	business located in Kashi, Xinjiang
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“High Court”	High Court of Hong Kong
“SFC”	Securities and Futures Commission
“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 16 May 2014
“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) Company Information

1. BOARD OF DIRECTORS

Executive Directors

Mr. Liu Yiu Keung, Stephen (*Chairman*)
(*Mr. Yen Ching Wai, David as his alternate*)

Mr. Li Heping (*Chief Executive Officer*)
Mr. Hwa Guo Wai, Godwin

Non-Executive Director

Mr. Chong Cha Hwa (*resigned as Non-Executive Director on 8 May 2017*)

Independent Non-Executive Directors

Ms. Ho Man Kay, Angela
Mr. Law Pui Cheung
Mr. Wong Chi Keung
Dr. Ching Siu Ming
Mr. Lo Chung Hing

Audit Committee

Mr. Law Pui Cheung (*Chairman*)
Ms. Ho Man Kay, Angela
Mr. Wong Chi Keung
Dr. Ching Siu Ming
Mr. Lo Chung Hing

Remuneration Committee

Ms. Ho Man Kay, Angela (*Chairman*)
Mr. Law Pui Cheung
Mr. Wong Chi Keung
Dr. Ching Siu Ming
Mr. Lo Chung Hing

Executive Committee

Mr. Liu Yiu Keung, Stephen (*Chairman*)
Mr. Li Heping
Mr. Hwa Guo Wai, Godwin

Nomination Committee

Mr. Liu Yiu Keung, Stephen (*Chairman*)
Ms. Ho Man Kay, Angela
Mr. Law Pui Cheung
Mr. Wong Chi Keung
Dr. Ching Siu Ming
Mr. Lo Chung Hing

Investigation Committee

Dr. Ching Siu Ming (*Chairman*)
Ms. Ho Man Kay, Angela
Mr. Law Pui Cheung
Mr. Wong Chi Keung
Mr. Lo Chung Hing

(II) Company Information

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 : P.O.Box 10008, Willow House, Cricket Square,
Grand Cayman KY1-1001, Cayman Islands
- (3) Principal Place of Business in China : Sunnsy Industrial Park, Gushan Town,
Changqing District, Jinan, Shandong, PRC
Principal Place of Business in Hong Kong : Room 2609, 26/F, Tower 2, Lippo Centre,
89 Queensway, Admiralty, Hong Kong
- (4) Contact details of the Company
Telephone : +852-2525 7918
Fax : +852-2525 7998
E-mail address : ir@csc-grp.com
- (5) Website : www.shanshuicement.com
- (6) Authorised Representatives : Liu Yiu Keung, Stephen and Tsang Wing Tai
- (7) Joint Company Secretaries : Tsang Wing Tai and Yu Chun Liang
- (8) Listing Date : 4 July 2008
- (9) Website for publication of this report : www.shanshuicement.com
- (10) Exchange on which the Company's shares are listed : The Stock Exchange of Hong Kong
- (11) Stock code : 00691
- (12) Stock Short Name : Shanshui Cement
- (13) 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
- (14) Legal Adviser as to PRC law : Tiantai Law Firm
Legal Adviser as to Hong Kong law : Wilkinson & Grist
- (15) Auditors : KPMG

(III) Key Data

1. KEY FINANCIAL DATA

(Unit: RMB'000)

	January to June 2017	January to June 2016
Revenue	6,315,011	4,600,759
Gross profit	1,865,328	714,780
Gross profit margin	29.5%	15.5%
Profit/(loss) from operations	574,476	(181,714)
Profit margin from operations	9.1%	-3.9%
EBITDA	1,293,140	512,194
EBITDA margin	20.5%	11.1%
Net loss	(100,520)	(808,899)
Loss attributable to equity shareholders of the Company	(43,695)	(722,881)
Basic loss per share (RMB)	(0.01)	(0.21)
Net cash generated from operating activities	885,458	253,590
	30 June 2017	31 December 2016
Total assets	25,942,229	25,920,156
Total liabilities	22,670,508	22,663,917
Equity attributable to equity shareholders of the Company	3,171,736	3,098,688
Net gearing ratio	81.0%	81.9%

2. KEY BUSINESS DATA

	January to June 2017	January to June 2016
Sales volume of cement ('000 tonnes)	18,258	19,843
Sales volume of clinker ('000 tonnes)	3,853	4,892
Sales volume of concrete ('000 m ³)	1,567	957
Unit selling price of cement (RMB/tonne)	264.0	181.8
Unit selling price of clinker (RMB/tonne)	237.8	146.1
Unit selling price of concrete (RMB/m ³)	300.8	239.6

(IV) Management Discussion and Analysis

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW

In the first half of 2017, China Government focused on supply-side structural reform, improving the quality and returns, deepening reform and innovation, and paid close attention to policy implementation. The China economy performed within an appropriate range, with achieved steady growth, the rise in employment, stable prices, income growth and optimizing economic structures. Economic development became more stable, coordinated and sustainable.

In the first half of 2017, GDP of China was RMB38,149.0 billion, representing a YOY increase of 6.9% at comparable prices. The GDP of the second quarter went up by 1.7% on a quarter-on-quarter basis. The investment in fixed assets (excluding rural households) was RMB28,060.5 billion, representing a YOY increase of 8.6%. The investment in infrastructure was 5,942.2 billion, representing an increase of 21.1%. The total investment in real estate development was 5,061.0 billion, representing a YOY growth of 8.5 percent. **(Source: National Bureau of Statistics of China)**

In the first half of 2017, the growth of investment in fixed assets fell slightly, the growth of total investment in real estate development accelerated over the same period last year and the infrastructure investment growth continued to remain at a high pace. In the first half of 2017, China total cement production amounted to approximately 1,110 million tons, representing a YOY increase of 0.4%, the growth rate decreased by 2.8% over the same period last year. China cement industry realized a total profit of RMB33.4 billion, representing an increase of approximately 248% over the same period last year. **(Source: Digital Cement)**

(IV) Management Discussion and Analysis

2. COMPANY'S BUSINESS REVIEW

In the first half of 2017, the Group is committed to refine our fundamental internal management, to enhance the quality of existing manufacturing operations and the sustainability in profits.

During the Reporting Period, there was no new project put into operation or capacity replacement project to be dismantled.

As at 30 June 2017, the Group had a total production capacity of 101.76 million tonnes of cement, 51.01 million tonnes of clinker and 19.30 million cubic meters of concrete.

During the Reporting Period, the Group's total sales of cement and clinker were 22.11 million tonnes, representing a YOY decrease of 10.6%; sales volume of concrete was 1.57 million cubic meters, representing a YOY increase of 63.7%; sales revenue was RMB6,315 million, representing a YOY increase of 37.3%; and the loss for the period was RMB101 million.

(I) Business analysis

1. Sales revenues and their respective YOY changes

(Unit: RMB'000)

Product	January-June 2017		January-June 2016		Sales revenue YOY change
	Sales	proportion	Sales	proportion	
Cement	4,819,595	76.3%	3,607,480	78.4%	33.6%
Clinker	916,237	14.5%	714,484	15.5%	28.3%
Concrete	471,361	7.5%	229,333	5.0%	105.5%
Others	107,818	1.7%	49,462	1.1%	118.0%
Total	6,315,011	100%	4,600,759	100.0%	37.3%

During the Reporting Period, the Company's sales revenue increased by 37.3% to RMB6,315 million. With regard to revenue breakdown by products, cement revenue amounted to RMB4,820 million, representing a YOY increase of 33.6%, and clinker revenue amounted to RMB916 million, representing a YOY increase of 28.3%. The revenue from concrete amounted to RMB471 million, representing a YOY increase of 105.5%.

(IV) Management Discussion and Analysis

2. COMPANY'S BUSINESS REVIEW *(continued)*

(I) Business analysis *(continued)*

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

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

Product	Sales volume of the reporting period ('000 tonnes)	Sales volume of the same period of last year ('000 tonnes)	Sales volume change	Unit selling price of the reporting period (RMB/tonne)	Unit selling price of the same period of last year (RMB/tonne)	Change in unit selling price
Cement	18,258	19,843	-8.0%	264.0	181.8	45.2%
Clinker	3,853	4,892	-21.2%	237.8	146.1	62.8%
	('000 m ³)	('000 m ³)		(RMB/m ³)	(RMB/m ³)	
Concrete	1,567	957	63.7%	300.8	239.6	25.5%

During the Reporting Period, the sales volume of cement of the Company amounted to 18.26 million tonnes, representing a YOY decrease of 8%, the sales volume of clinker amounted to 3.85 million tonnes, representing a YOY decrease of 21.2%. The unit selling price of cement increased by 45.2% to RMB264.0 per tonne, while the unit selling price of clinker increased by 62.8% to RMB237.8 per tonne. The sales volume of concrete amounted to 1.57 million cubic meters, representing a YOY increase of 63.7%. The unit selling price of concrete increased by 25.5% to RMB300.8/m³.

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

Operating region	Average unit selling price of the reporting period (RMB/tonne)	Average unit selling price of the same period of last year (RMB/tonne)	Change in unit selling price
Shandong Region	271.9	171.0	59.0%
Eastern Shandong Operating Region	268.5	177.4	51.4%
Western Shandong Operating Region	283.3	164.3	72.4%
Southern Shandong Operating Region	256.7	173.2	48.2%
Northeast China Operating Region	250.6	203.2	23.3%
Shanxi Operating Region	227.2	147.6	53.9%
Xinjiang Operating Region	290.3	269.0	7.9%

(IV) Management Discussion and Analysis

2. COMPANY'S BUSINESS REVIEW *(continued)*

(I) Business analysis *(continued)*

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

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

During the Reporting Period, the average unit selling price of cement in Shandong Region was RMB271.9 per tonne, representing a YOY increase of 59.0%; the average unit selling price of cement in Eastern Shandong Operating Region was RMB268.5 per tonne, representing a YOY increase of 51.4%; the average unit selling price of cement in Western Shandong Operating Region was RMB283.3 per tonne, representing a YOY increase of 72.4%; the average unit selling price of cement in Southern Shandong Operating Region was RMB256.7 per tonne, representing a YOY increase of 48.2%; the average unit selling price of cement in Northeast China Operating Region was RMB250.6 per tonne, representing a YOY increase of 23.3%; the average unit selling price of cement in Shanxi Operating Region was RMB227.2 per tonne, representing a YOY increase of 53.9%; the average unit selling price of cement in Xinjiang Operating Region was RMB290.3 per tonne, representing a YOY increase of 7.9%.

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

Product	January-June 2017		January-June 2016		Change in sales volume
	Sales volume ('000 tonnes)	Sales proportion	Sales volume ('000 tonnes)	Sales proportion	
High grade cement	12,365	67.7%	12,183	61.4%	1.5%
Low grade cement	5,889	32.3%	7,660	38.6%	-23.1%

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

During the Reporting Period, sales volume of high grade cement was 12.37 million tonnes, representing a YOY increase of 1.5%, and sales volume of low grade cement was 5.89 million tonnes, representing a YOY decrease of 23.1%.

(IV) Management Discussion and Analysis

2. COMPANY'S BUSINESS REVIEW *(continued)*

(I) Business analysis *(continued)*

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

(Unit: RMB'000)

Region	January-June 2017		January-June 2016		Change of sales revenue
	Sales revenue	Sales proportion	Sales revenue	Sales proportion	
Shandong Region	4,320,831	68.4%	2,885,660	62.7%	49.7%
Eastern Shandong Operating Region	1,674,838	26.5%	1,186,518	25.8%	41.2%
Western Shandong Operating Region	1,704,906	27.0%	1,233,840	26.8%	38.2%
Southern Shandong Operating Region	941,087	14.9%	465,302	10.1%	102.3%
Northeast China Operating Region	1,267,405	20.1%	1,195,820	26.0%	6.0%
Shanxi Operating Region	550,765	8.7%	310,743	6.8%	77.2%
Xinjiang Operating Region	176,010	2.8%	208,536	4.5%	-15.6%
Total	6,315,011	100.0%	4,600,759	100.0%	37.3%

During the Reporting Period, the sales revenue in Shandong Operating Region was RMB4,321 million, accounting for 68.4% of the Group's total sales revenue and representing a YOY increase of 49.7%; the sales revenue in Eastern Shandong Operating Region was RMB1,675 million, accounting for 26.5% of the Group's total sales revenue and representing a YOY increase of 41.2%; the sales revenue in Western Shandong Operating Region was RMB1,705 million, accounting for 27.0% of the Group's total sales revenue and representing a YOY increase of 38.2%; the sales revenue in Southern Shandong Operating Region was RMB941 million, accounting for 14.9% of the Group's total sales revenue and representing a YOY increase of 102.3%; the sales revenue in Northeast China Operating Region was RMB1,267 million, accounting for 20.1% of the Group's total sales revenue and representing a YOY increase of 6%; the sales revenue in Shanxi Operating Region was RMB551 million, accounting for 8.7% of the Group's total sales revenue and representing a YOY increase of 77.2%; the sales revenue in Xinjiang Operating Region was RMB176 million, accounting for 2.8% of the Group's total sales revenue and representing a YOY decrease of 15.6%.

(IV) Management Discussion and Analysis

2. COMPANY'S BUSINESS REVIEW *(continued)*

(II) Profit analysis

1. Changes in key profit and loss items

(Unit: RMB'000)

	January-June 2017	January-June 2016	Change
Revenue	6,315,011	4,600,759	37.3%
Gross profit	1,865,328	714,780	161.0%
EBITDA	1,293,140	512,194	152.5%
Profit/(Loss) from operations	574,476	(181,714)	-416.1%
Profit/(Loss) before taxation	43,521	(727,985)	-106.0%
Loss for the period	(100,520)	(808,899)	-87.6%
Loss attributable to equity shareholders of the Company	(43,695)	(722,881)	-94.0%

During the Reporting Period, the Group recorded sales revenue of RMB6,315 million, representing a YOY increase of 37.3%; profit from operations was RMB574 million, loss for the period was RMB101 million, representing a YOY decrease of 87.6% loss attributable to equity shareholders of the Company was RMB44 million. The increase in profit was mainly due to the increase in selling prices.

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

(Unit: RMB'000)

Cost of sales	January-June 2017		January-June 2016		Change of proportion to revenue
	Amount	Proportion to revenue	Amount	Proportion to revenue	
Raw materials	1,477,033	23.4%	1,224,978	26.6%	-3.2P.Pt.
Coal	1,233,216	19.5%	814,967	17.7%	1.8P.Pt.
Power	571,078	9.0%	587,013	12.8%	-3.8P.Pt.
Depreciation and amortisation	436,694	6.9%	473,203	10.3%	-3.4P.Pt.
Others	731,662	11.6%	785,818	17.1%	-5.5P.Pt.
Total cost of sales	4,449,683	70.5%	3,885,979	84.5%	-14.0P.Pt.

(IV) Management Discussion and Analysis

2. COMPANY'S BUSINESS REVIEW *(continued)*

(II) Profit analysis *(continued)*

2. Comparison and analysis of the proportion of cost of sales to revenue *(continued)*

During the Reporting Period, the proportion of the Group's total cost of sales to revenue was 70.5%, representing a YOY decrease of 14.0 percentage points. Of which, the proportion of raw materials costs to revenue was 23.4%, representing a YOY decrease of 3.2 percentage points. The proportion of coal costs to revenue was 19.5%, representing a YOY increase of 1.8 percentage points. The Group's average unit purchase price of coal in the first half of 2017 increased by 63.27% to RMB609/tonne as compared with the same period of last year (RMB373/tonne). As for cost reduction, the output of residual heat power generation was 470 million KWH in the first half of 2017, thus reducing the cost of clinker by RMB156 million.

3. COMPANY'S FINANCIAL REVIEW

(I) Expenses during the period

(Unit: RMB'000)

	January-June 2017		January-June 2016		Changes in proportion to sales revenue
	Amount	Proportion to sales revenue	Amount	Proportion to sales revenue	
Sales and marketing expense	256,049	4.0%	209,455	4.6%	-0.6P.Pt.
Administrative expense	1,059,088	16.8%	695,306	15.1%	1.7P.Pt.
Finance cost	531,231	8.4%	503,874	11.0%	-2.6P.Pt.
Total	1,846,368	29.2%	1,408,635	30.7%	-1.5P.Pt.

During the Reporting Period, the proportion of sales and marketing expense to sales revenue has a YOY decrease of 0.6 percentage point. The proportion of administrative expense to sales revenue has a YOY increase of 1.7 percentage points. In addition, the proportion of the Group's finance cost to sales revenue a YOY decrease of 2.6 percentage points.

The increase in sales and marketing expense was mainly caused by the increased in sales salaries. The increase in administrative expense was mainly caused by the significant increase in salaries of management staff, security costs in Shandong Shanshui and costs incurred during production halt.

(IV) Management Discussion and Analysis

3. COMPANY'S FINANCIAL REVIEW *(continued)*

(II) Changes in balance sheet items

(Unit: RMB'000)

	30 June 2017	31 December 2016	Change
Non-current assets	21,128,506	21,600,467	-2.2%
Current assets	4,813,723	4,319,689	11.4%
Total assets	25,942,229	25,920,156	0.1%
Current liabilities	21,812,103	20,553,184	6.1%
Non-current liabilities	858,405	2,110,733	-59.3%
Total liabilities	22,670,508	22,663,917	0.0%
Minority interest	99,985	157,551	-36.5%
Equity attributable to equity shareholders of the Company	3,171,736	3,098,688	2.4%
Total liabilities and equity	25,942,229	25,920,156	0.1%
Net gearing ratio	81.0%	81.9%	-0.9P.Pt.

As of 30 June 2017, the Group's total assets were RMB25,942 million, total liabilities were RMB22,671 million and its net assets were RMB3,272 million. The net gearing ratio (net debts/(net debts + total equity)) was 81.0%, representing a decrease of 0.9 percentage point as compared with the end of the last year. The Group's total current assets were RMB4,814 million, its total current liabilities were RMB21,812 million, and its net current liabilities were RMB16,998 million.

(IV) Management Discussion and Analysis

3. COMPANY'S FINANCIAL REVIEW (continued)

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

(Unit: RMB'000)

Term of borrowings	30 June 2017	31 December 2016
Short-term borrowings (including long-term borrowings with maturity within one year)	14,044,545	13,449,822
Long-term borrowings	342,136	1,593,746
Total	14,386,681	15,043,568

As of 30 June 2017, the Company's total borrowings were RMB14,387 million, representing a decrease of RMB657 million as compared with the end of 2016. Of which, short-term borrowings (including long-term borrowings with maturity within 1 year) amounted to RMB14,045 million and accounted for 97.6% of the Group's total borrowings.

(IV) Capital expenditures

During the Reporting Period, the capital expenditures invested were approximately RMB334 million, which was mainly invested in respect of cement and clinker production lines.

Outstanding capital commitments under production facility construction contracts and equipment purchase agreements not provided for in the financial statements as at 30 June 2017 were as follows:

(Unit: RMB'000)

	30 June 2017	31 December 2016
Authorised and contracted for – plant and equipment	312,023	272,630
Authorised but not contracted for – plant and equipment	65,166	65,166
Total	377,189	337,796

As of 30 June 2017, the capital commitment of which the Group had authorised and contracted for amounted to RMB312 million, representing an increase of RMB39 million as compared with the end of 2016. Furthermore, the capital commitment which was authorised but not contracted for amounted to RMB65 million, it is remained the same as compared with the end of 2016.

(IV) Management Discussion and Analysis

3. COMPANY'S FINANCIAL REVIEW *(continued)*

(V) Net cash flow analysis

(Unit: RMB'000)

	January-June 2017	January-June 2016
Net cash generated from operating activities	885,458	253,590
Net cash used in investing activities	(298,993)	(99,505)
Net cash used in financing activities	(437,699)	(93,801)
Net change in cash and cash equivalents	148,766	60,284
Balance of cash and cash equivalents as at 1 January	276,500	222,907
Effect of foreign exchange rates change	(734)	572
Balance of cash and cash equivalents as at 30 June	424,532	283,763

During the Reporting Period, the Group's net cash generated from operating activities amounted to RMB885 million, representing an increase of RMB632 million over the same period of last year. Net cash used in investing activities amounted to RMB299 million, representing an increase of RMB199 million in negative net cash flow over the same period of last year. Net cash used in financing activities amounted to RMB438 million representing an increase of RMB344 million over the same period of last year.

(IV) Management Discussion and Analysis

4. OUTLOOK FOR THE SECOND HALF OF THE YEAR

Marco operating environment outlook for the second half of the year

According to the information from the National Bureau of Statistics, during the first half of 2017, the incremental rate of accumulated fixed asset investment in China decreased slightly, the incremental rate of investment in real estate increased as compared with the same period of last year, and the infrastructure investment growth rate maintained stably at a high level. It is expected that the overall cement demand will remain roughly the same as that in 2016.

On the demand side, outlook for cement demand is positive

The demand for cement is primarily derived from the investment on real estate and infrastructure investment. Based on the volume of shipments of leading cement enterprises, the demand for cement remains stable to good. As a pre-indicator of demand for cement, the housing area newly started construction increased rapidly, and amidst the background of continuously higher growth rate in sales of real estate than the growth rate of its investment, it is expected more investment in real estate will be needed to replenish the inventory, and therefore the outlook for cement demand will be optimistic.

The implementation of differentiated adjustment and control policies for different cities achieved significant results, the size, structure, and schedule of supply of land for residential use in key cities was adjusted at appropriate times, and the progress of construction of commercial housing was accelerated, so as to continuously increase the market housing supply. The increase in growth rate of investment in residential housing will sustain the strong demand for cement in China help to increase the supply of housing, ease the contradiction between supply and demand, and thus effectively promote the healthy development of the real estate market.

The Company believes that, in the second half of 2017, with the support of the Central Government of the PRC, the Chinese economic growth rate will remain stable with the drive of infrastructure investment, and cement demand will continue to be healthy.

(IV) Management Discussion and Analysis

4. OUTLOOK FOR THE SECOND HALF OF THE YEAR *(continued)*

Marco operating environment outlook for the second half of the year *(continued)*

On the supply side, the enhancement of requirements in environmental protection and peak-alternation production suppress the release of production capacity

The cement industry will be further consolidated, and the strict prohibition of increase in new clinker production capacity will be promoted and implemented as stated in the "Guidelines for promoting steady growth, structural adjustment and efficiency enhancement in building materials industry by the State Council"(GBF [2016] No. 34) (the "Guideline") issued on 5 May 2016. By 2020, the production concentration of top 10 domestic clinker production enterprises will reach approximately 60%, and by the end of 2020, the filing and special construction project of expansion of clinker production capacity will be strictly prohibited.

Since the mid-2016, the State Council delegated four batched of inspection groups on safety production, among which, strict and close inspection on the environmental protection, safety and construction of new production lines of cement industry was carried out.

In October 2016, the Ministry of Industry and Information Technology and the Ministry of Environmental Protection jointly promulgated the "Notice on further improve the peak-alternation production of cement", which decided to further improve the peak-alternation production of cement in 2016-2020 based on the trial implementation of full peak-alternation production in Northern China in 2015, and to carry out peak-alternation production for all cement production lines in 15 provinces and cities nationwide, which turns the production reduction (from November each year to March next year) from a voluntary behaviour of the enterprises into a mandatory policy requirement.

Therefore, the price in the first half of 2017 maintained at a high level since the end of last year, and the profitability resumed growth. The China Cement Association expects a profit of RMB80 billion will be realized for the whole year, whereas the best profit realized historically was RMB102.0 billion in 2011.

As the 6th largest cement and clinker manufacturer in terms of capacities of cement and clinker in China, the implementation of more restrictive measures in requirements of environmental protection and peak-alternation production by the Chinese government will help to strengthen our market position and improve profitability.

(IV) Management Discussion and Analysis

4. OUTLOOK FOR THE SECOND HALF OF THE YEAR *(continued)*

Business outlook for the second half of the year

As disclosed in the Company's announcements, the Company is adversely affected by unfavourable circumstances which include the prolonged suspension of trading due to insufficient public float, and the detrimental effect on the Company's management and operation resulting from the illegal occupation of properties of Shandong Shanshui by Mi Jingtian and his associates.

With the assistance of the Jinan Government and PRC government departments, the Company is progressively and appropriately dealing with the illegal occupation issues, and in addition, the Company is in dialogue with professional advisors to take actions to resolve the insufficient public float issue.

With the increase in cement prices, the majority of scaled cement manufacturers in China can achieve a remarkable profit. Looking ahead to the second half of 2017, the Group will proactively work on these two major issues to regain the momentum of growth and will make an announcement to the public as and when appropriate.

(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 2017, 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 any additional Shares.

As of 30 June 2017, the Company has issued a total of 3,379,140,240 Shares.

2. SUSPENSION OF TRADING

As at 16 April 2015, the public float of the Company was below 25%. As such, at the request of the Company, trading in the Shares and debt securities of the Company was suspended as from 9:00 a.m. on 16 April 2015. The Stock Exchange indicated that the trading in the Shares and debt securities of the Company will remain suspended until the 25% minimum public float is restored. The Board has been discussing on options available to resolve the public float issue. The Board will continue to monitor the progress of the above matters, and take action to comply with the Listing Rules.

For details of the above matters, please refer to the announcements published by the Company on 16 April 2015, 22 May 2015, 14 January 2016, 19 February 2016, 23 March 2016, 26 April 2016, 3 June 2016 and 8 August 2017.

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

3. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS AND DIRECTORS

(1) Shareholdings of substantial shareholders

As of 30 June 2017, 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
Tianrui Group Company Limited ⁽²⁾	951,462,000 (L)	Interests of corporations controlled by substantial shareholder	28.16%
China Shanshui Investment Company Limited	847,908,316 (L)	Beneficial owner	25.09%
Asia Cement Corporation ⁽³⁾	428,393,000 (L)	Interests of corporations controlled by substantial shareholder	12.68%
	320,932,647 (L)	Beneficial owner	9.50%
	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	4.22%
China National Building Material Company Limited ⁽⁴⁾	563,190,040 (L)	Interests of corporations controlled by substantial shareholder	16.67%

Notes:

- (1) The letter "L" denotes a long position in such Shares.
- (2) As stated in the form of disclosure of shareholder's interests submitted by Tianrui Group Company Limited on 15 April 2015 (the date of the relevant event set out in the form was 15 April 2015), these Shares were held via Tianrui (International) Holding Company Limited.

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

- (3) As stated in the form of disclosure of shareholder's interests submitted by Asia Cement Corporation on 5 May 2017 (the date of the relevant event set out in the form was 4 May 2017), these Shares were held via Asia Cement Corporation and its subsidiaries.
- (4) As stated in the form of disclosure of shareholder's interests submitted by China National Building Material Group Corporation on 1 December 2016 (the date of the relevant event set out in the form was 30 November 2016), these Shares were held via China National Building Material Company Limited.

Save as disclosed above, and so far as the Directors are aware, as of 30 June 2017, 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.

On 22 March 2016, Tianrui Group Company Limited, a substantial shareholder of the Company which holds 951,462,000 Shares of the Company (representing approximately 28.16% of the issued share capital of the Company), informed the Company that it has pledged 791,000,000 Shares of the Company (representing approximately 23.41% of the issued share capital of the Company) in favor of China Bohai Bank for a bank loan.

(2) Directors' and chief executives' interests in the shares, underlying shares and debentures

As of 30 June 2017, 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.

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Reporting Period.

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

5. 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, the Existing Scheme Mandate Limit was granted 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. During the period from the Adoption Date to the Latest Practicable Date, 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 207,300,000 Shares (including the options to subscribe for 20,000,000 Shares and 23,600,000 Shares were 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 ("HCMP 593/2015"), CSI has commenced an injunction application to apply to set aside the grant of the 207,300,000 share options in early 2015. A Consent Summons with Wong & Lawyers (for CSI in its capacity as minority shareholders) and Mayor Brown JSM (for CSI in its corporate capacity) was signed on 6 January 2016 in which the Company gave an undertaking to the High Court that it will not take steps to implement the share options offered as described in its public announcement dated 27 January 2015 until 28 days from the handing down of the judgment in relation to the substantive hearing of the Petitioner's Summons dated 17 August 2015 or until further Order of the Court.

Since no extraordinary general meeting of the Company was held for the approval of the grant of 43,600,000 options in aggregate conditionally granted to Zhang Bin and Zhang Caikui, such options have not become unconditional and may not be exercised.

Out of the options to subscribe for 7,400,000 Shares granted on 25 May 2011, 100,000 Shares were lapsed in accordance with the terms of the Share Option Scheme and therefore will not be counted for the purpose of the Existing Scheme Mandate Limit pursuant to Note 1 to Rule 17.03(3) of the Listing Rules.

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

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

Accordingly, taking into account all the options granted and conditionally granted, the outstanding Existing Scheme Mandate Limit as of the Latest Practicable Date is 45,736,000 Shares, representing approximately 17.57% of the Existing Scheme Mandate Limit.

Details of the options are set out as follows:

Type of Grantee	Date of Grant	Granted	Vesting period	Exercise price	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Expired during the Reporting Period	Not yet exercised during the Reporting Period
Zhang Bin, Executive Director (removed)	25 May 2011	Option for subscription of 5,000,000 Shares	Nil	HK\$7.90	-	-	-	-	Option for subscription of 5,000,000 Shares
	27 January 2015	Option for subscription of 20,000,000 Shares	Six months after the date of grant	HK\$3.68	-	-	-	-	Option for subscription of 20,000,000 Shares
Zhang Caikui, Executive Director (removed)	27 January 2015	Option for subscription of 23,600,000 Shares	Six months after the date of grant	HK\$3.68	-	-	-	-	Option for subscription of 23,600,000 Shares
Li Cheung Hung, Executive Director (removed)	25 May 2011	Option for subscription of 200,000 Shares	Nil	HK\$7.90	-	-	-	-	Option for subscription of 200,000 Shares
	27 January 2015	Option for subscription of 9,000,000 Shares	Six months after the date of grant	HK\$3.68	-	-	-	-	Option for subscription of 9,000,000 Shares

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

Type of Grantee	Date of Grant	Granted	Vesting period	Exercise price	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Expired during the Reporting Period	Not yet exercised during the Reporting Period
Xiao Yu, <i>Non-Executive Director (resigned)</i>	25 May 2011	Option for subscription of 100,000 Shares	Nil	HK\$7.90	-	-	-	-	Option for subscription of 100,000 Shares
Employees	25 May 2011	Option for subscription of 2,000,000 Shares	Nil	HK\$7.90	-	-	-	-	Option for subscription of 2,000,000 Shares
	27 January 2015	Option for subscription of 154,700,000 Shares	Six months after the date of grant	HK\$3.68	-	-	-	-	Option for subscription of 154,700,000 Shares
Total number of options granted and accepted		Option for subscription of 214,600,000 Shares			-	-	-	-	Option for subscription of 214,600,000 Shares

Summary of the principal terms of the share option scheme

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

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

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

The Shares that will be issued upon full exercise of the options currently granted under the Share Option Scheme are 214,700,000 Shares, representing approximately 6.35% of the share capital in issue (3,379,140,240 Shares) as of 30 June 2017.

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

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

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

(VI) Basic Information on Directors, Senior Management and Employees

1. APPOINTMENT OR RETIREMENT OF DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY DURING THE REPORTING PERIOD

On 20 December 2016, the Company has decided to suspend Mi Jingtian's duties, powers, functions and authorities in Shandong Shanshui and all its subsidiaries.

On 12 January 2017, Pioneer Cement, being a wholly-owned subsidiary of the Company and the sole shareholder of Shandong Shanshui, resolved to remove Mi Jingtian from all his duties, powers, functions and authorities in Shandong Shanshui and all its subsidiaries, including his directorship and the position of deputy general manager in Shandong Shanshui and all his employment relationship with the Company, subsidiaries and its related group companies.

On 13 March 2017, Pioneer Cement has resolved and issued the following shareholder resolutions to the board of directors of Shandong Shanshui:

- (1) To remove Li Maohuan, Yu Yuchuan, Zhao Liping and Chen Zhongsheng from office as director of Shandong Shanshui.
- (2) To terminate Yu Yuchuan, Zhao Liping and Chen Zhongsheng from all their duties, powers, functions and authorities in Shandong Shanshui and all of its subsidiaries, and terminate all of their employment relationship with the Company, its subsidiaries and related companies.
- (3) To remove Liu Xianliang from office as supervisor of Shandong Shanshui.
- (4) To terminate Liu Xianliang from all his duties, powers, functions and authorities in Shandong Shanshui and all of its subsidiaries, and terminate all his employment relationship with the Company, its subsidiaries and related companies.
- (5) To appoint Liu Yiu Keung, Stephen, Yen Ching Wai, David, Chong Cha Hwa and Liu Dequan as directors of Shandong Shanshui.
- (6) To appoint Yen Ching Wai, David as General Manager (External Affairs) of Shandong Shanshui.

(VI) Basic Information on Directors, Senior Management and Employees

Effective from 13 March 2017, the board of directors and members of the management team of Shandong Shanshui are set out as follows:

Chairman and Authorised Representative of Shandong Shanshui

Li Heping

General Managers of Shandong Shanshui

Yang Yongzheng (*Chief Executive*)

Yen Ching Wai, David (*External Affairs*)

Deputy General Manager of Shandong Shanshui

Zhao Yongkui (*Finance*)

Directors of Shandong Shanshui

Li Heping

Yang Yongzheng

Su Aizhen (*subject to approval by China Cinda Asset Management Co., Ltd. to perform her duties*)

Liu Yiu Keung, Stephen

Yen Ching Wai, David

Zhao Yongkui

Chong Cha Hwa (*resigned as director of Shandong Shanshui on 8 May 2017*)

Gao Yong

Liu Dequan

On 11 April 2017, the Company's PRC legal advisor visited Jinan City Police Bureau Changqing District Branch and its Gushan Police Station and learnt that the following senior management and employees of the Group were detained due to their alleged violation of the PRC law in relation to the execution of the instructions of the Company to legitimately enter and try to repossess the properties located in Gushan Town, Changqing District, Jinan City that has been illegally occupied by Mi Jingtian and his unidentified associates.

- (1) Yu Chun Liang, the Company's Joint Company Secretary, Yang Yongzheng, the General Manager and director of Shandong Shanshui and certain employees of Shandong Shanshui were detained as yet due to their alleged violation of the Criminal Law of the PRC.
- (2) Liu Dequan, director of Shandong Shanshui and certain employees of Shandong Shanshui were detained due to their alleged violation of Public Security Administration Punishments Law of the PRC and were released by the Jinan Police.

(VI) Basic Information on Directors, Senior Management and Employees

On 8 May 2017, Chong Cha Hwa tendered his resignation as a non-executive Director of the Company and directorships of all relevant subsidiaries of the Company due to the physical trauma suffered during the Repossession Action.

Pursuant to Article 16.18 of the Articles of Association, Li Heping, Hwa Guo Wai, Godwin, Ho Man Kay, Angela retired as Directors by rotation at 2016 Annual General Meeting (“AGM”) held on 2 June 2017.

Pursuant to Article 16.2 of the Articles of Association, Ching Siu Ming and Lo Chung Hing who have been appointed by the Board on 5 July 2016 shall hold office only until 2016 AGM of the Company and shall then be subject to re-election at that meeting.

Li Heping, Hwa Guo Wai, Godwin, Ho Man Kay, Angela, Ching Siu Ming and Lo Chung Hing were re-elected as Directors by the Shareholders at the AGM.

2. CODE ON CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Board of the Company was not aware of any information which would indicate that the Company did not comply with Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules of the Stock Exchange.

3. MODEL CODE

The Company has adopted a set of codes of practice with standards not lower than those prescribed in the Model Code. Having made specific enquiries with the Directors, the Company understands that they have complied with the required standard regarding securities transactions by the Directors as set out in the Model Code during the Reporting Period.

4. EMPLOYEES AND THEIR REMUNERATION

As of 30 June 2017, the Group had a total of 19,236 employees. The aggregate remuneration of the employees for the Reporting Period was RMB678 million.

(VII) Major Events

1. CORPORATE GOVERNANCE

The Group has established a sound corporate governance structure. During the Reporting Period, the Board and its subordinated specialised committees have performed their respective duties according to their scopes of work and working procedures.

Based on the guidance from the Stock Exchange relating to the internal control of listed companies, the Company will continue to focus on the implementation of workflow systems covering production management, equipment management, quality control, financial management, procurement management, sales management, project management and human resource management. In addition, the Company will also give full play to the Group's Audit Department, continue to enhance its internal audit and surveillance, and ensure efficient execution of the systems through regular and irregular special audit, so as to improve the Company's operation standard.

Pursuant to the Listing Rules of the Stock Exchange and based on the principles of "impartiality, equity, publicity and fairness", the Company has further regulated the transactions among its subsidiaries, strengthened the supervision over the internal price of clinkers and eliminated the conduct of improper connected transactions.

The Company continues to strengthen its investor relations management by gradually improving its investor communication mechanism. Disclosure of information to investors is made in a timely, complete, accurate and impartial manner. Insider trading, unauthorised disclosure of information and acts causing damages to the interest of other investors are strictly prohibited.

Based on the requirements of the Listing Rules of the Stock Exchange, the Company continues to enhance the information disclosure policy and procedures and raise the awareness of the directors, senior management and related departments to operate in accordance with the Listing Rules of the Stock Exchange.

2. INTERIM DIVIDEND

The Board does not recommend the payment of any dividend for the first half of 2017.

(VII) Major Events

3. CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Company has no continuing connected transaction.

As of 30 June 2017, the Group borrowed equivalent to approximately RMB1.321 billion on an interest-free basis from Tianrui Group which was mainly used to settle certain debts, including:

1. Interest from 7.50% Senior Notes due 2020 amounted to US\$56.252 million.
2. Principal amount of and interest from any and all outstanding 8.50% Senior Notes due 2016 amounted to US\$31.345 million.
3. Purchase price of US\$73.473 million paid in cash for purchasing 7.50% Senior Notes due 2020 issued overseas, representing 15% of the total amount of Notes (US\$484.971 million).
4. Interest from short-term financing bill amounted to RMB87.521 million.
5. Borrowings of approximately RMB12.480 million was used for payment of legal costs.

As of 30 June 2017, outstanding borrowings of the Company from Tianrui Group was RMB614 million.

4. AUDIT COMMITTEE

The audit committee comprises the five independent non-executive Directors of the Company who, together with the management, considered and approved the Group's unaudited interim (half-year) financial statements for 2017 prepared in accordance with IFRS, and reviewed the unaudited interim results of the Group for the six months ended 30 June 2017.

(VII) Major Events

5. MAJOR EVENTS

(I) **Significant events in relation to removal of Mi Jingtian and his associates, illegal occupation of properties of Shandong Shanshui and legal actions against former directors and former senior management**

On 12 January 2017, based on the findings of JLA Asia Limited, the Company has passed resolution to authorise its wholly owned subsidiary, Pioneer Cement, resolved to remove Mi Jingtian from all his duties, powers, functions and authorities in Shandong Shanshui and all its subsidiaries, including his directorship and the position of deputy general manager in Shandong Shanshui and all his employment relationship with the Company, subsidiaries and its related group companies.

On 13 March 2017, Pioneer Cement resolved and issued the following shareholder resolutions to the board of directors of Shandong Shanshui:

- (1) To remove Li Maohuan, Yu Yuchuan, Zhao Liping and Chen Zhongsheng from office as director of Shandong Shanshui;
- (2) To terminate Yu Yuchuan, Zhao Liping and Chen Zhongsheng from all their duties, powers functions and authorities in Shandong Shanshui and all of its subsidiaries, and terminate all of their employment relationship with the Company, its subsidiaries and related companies;
- (3) To remove Liu Xianliang from office as supervisor of Shandong Shanshui;
- (4) To terminate Liu Xianliang from all his duties, powers functions and authorities in Shandong Shanshui and all of its subsidiaries, and terminate all his employment relationship with the Company, its subsidiaries and related companies;
- (5) To appoint Liu Yiu Keung, Stephen, Yen Ching Wai, David, Chong Cha Hwa and Liu Dequan as directors of Shandong Shanshui; and
- (6) To appoint Yen Ching Wai, David as General Manager (External Affairs) of Shandong Shanshui.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(I) **Significant events in relation to removal of Mi Jingtian and his associates, illegal occupation of properties of Shandong Shanshui and legal actions against former directors and former senior management** *(continued)*

On 29 March 2017, the Company, Pioneer Cement and Shandong Shanshui as plaintiffs commenced legal action against Mi Jingtian, Chen Zhongsheng, Zhao Liping, Li Maohuan and Yu Yuchuan (the “Former Senior Management”) as defendants (the “Defendants”) in the High Court (“HCA 762/2017”). The Company seeks protection of the Group’s assets from being seized by way of any unlawful means. In addition, the Company also seeks, inter alia, damages in respect of the harm and loss incurred by the unlawful acts of the Former Senior Management, and injunctive relief to inter alia restrain the Defendants and/or their affiliates from undertaking unlawful acts to detriment the Group’s interest.

In view of some of the Jinan properties of Shandong Shanshui has been illegally occupied by Mi Jingtian, the former director and deputy general manager of Shandong Shanshui and his associates (the “Illegal Occupation”), on 8 April 2017, the directors of the Company legitimately entered and tried to repossess the properties of Shandong Shanshui in Jinan (the “Repossession Action”) but were:

- (1) Held against their will in the open courtyard of the Shandong Shanshui premises by a group of unidentified crowd commanded and organized by Mi Jingtian and his associates for over 2 hours under abnormal circumstances. The Directors of the Company were only able to leave with the assistance of the Jinan Police;
- (2) Bodily harmed to several directors of the Company were inflicted by those unidentified associates commanded and manipulated by Mi Jingtian; and
- (3) Suffered from the attack by the use of “banned/control weapons” – the Directors of the Company witnessed the use of weapons such as pepper spray, smoke bombs, and high pressured water guns by Mi Jingtian’s associates during the Repossession Action.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(I) **Significant events in relation to removal of Mi Jingtian and his associates, illegal occupation of properties of Shandong Shanshui and legal actions against former directors and former senior management** *(continued)*

On 11 April 2017, the Company, Pioneer Cement and Shandong Shanshui obtained from the High Court an injunction order against the Former Senior Management by way of an ex parte application (“April 11 Injunction Order”). Pursuant to the April 11 Injunction Order, the Former Senior Management are prohibited from, inter alia, holding themselves out as being director or officer of Shandong Shanshui, entering premises of Shandong Shanshui, removing asset and records from Shandong Shanshui, and solicit or entice officers or employees of Shandong Shanshui. Furthermore, Mi Jingtian, Zhao Liping, Li Maohuan and Yu Yuchuan are prohibited from removing from Hong Kong any of their assets, for each of them up to the value of RMB142 million (or its Hong Kong dollar equivalent, the “Restrained Value”), in particular their shares in CSI and/or any proceeds of sale of any such CSI shares.

On 21 April 2017, the High Court made an order that, the April 11 Injunction Order (as varied) will continue to be in force until 31 May 2017 or until further order of the High Court. The variation was made consequential upon ACC’s application for variation of the April 11 Injunction Order to the extent that the disposal of the CSI shares held by Mi Jingtian, Zhao Liping, Li Maohuan and Yu Yuchuan would be permitted upon ACC’s undertaking to procure the Hongkong and Shanghai Banking Corporation Limited (“HSBC”) to issue a bank guarantee with a guaranteed sum of RMB142 million (the “Bank Guarantee”). The Bank Guarantee will be executed on receipt of:

- (1) A written demand from the Company (1st Plaintiff), Pioneer Cement (2nd Plaintiff) and Shandong Shanshui (3rd Plaintiff) in HCA 762/2017, stating that ACC has failed to pay in accordance with the final judgment by the High Court; and
- (2) A copy of the final judgment by the High Court in HCA 762/2017 which directs Mi Jingtian (1st Defendant), Zhao Liping (3rd Defendant), Li Maohuan (4th Defendant) and Yu Yuchuan (5th Defendant), therein, to pay the sum of up to RMB142 million to the 1st to 3rd Plaintiffs.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(I) **Significant events in relation to removal of Mi Jingtian and his associates, illegal occupation of properties of Shandong Shanshui and legal actions against former directors and former senior management** *(continued)*

On 27 April 2017, the Company made an announcement in response to the news article titled “Jinan Police dealt with the conflict occurred at Shandong Shanshui Cement Group headquarters according to law” published on Jinan City government’s website on 14 April 2017.

On 10 May 2017, Mi Jingtian commenced legal action in the High Court against the Company and Liu Yiu Keung, Stephen (in his capacity as the Director of the Company) to seek injunctive relief and damages in relation to two announcements published by the Company on 10 April 2017 and 27 April 2017 (“HCA 1103/2017”). The first hearing took place on 19 May 2017. On 24 May 2017, the High Court gave a decision to dismiss Mi Jingtian’s application for interim injunction against the Company and Liu Yiu Keung, Stephen and awarded costs in their favour.

On 31 May 2017, the High Court made an order under HCA 762/2017 (inter alia) that the April 11 Injunction Order (as varied on 21 April 2017) (the “Injunction Order (as varied)”) will continue to be in force until further order of the High Court.

On 10 August 2017, Mi Jingtian through his legal representative taken the unilateral step to file the Notice of Discontinuance to stop further proceeding with HCA 1103/2017.

Currently, the Jinan Government is assisting the Company to restructure the board of directors and senior management of Shandong Shanshui and to resolve the illegal occupation of the properties of Shandong Shanshui by the Former Senior Management. In addition, the Jinan Government is proactively encouraging various shareholders of the Company to resolve the disputes in a cooperative, reconcilable, and an accountable manner.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(II) Material Litigation in Hong Kong

(i) *Litigation claim against the former board*

HCA 2880 of 2015

On 4 December 2015, a Writ of Summons (the “Writ”) was issued by the Company (“HCA 2880/2015”) against the former Directors namely the Zhang Cai Kui and Zhang Bin (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.

According to the Writ, the Company’s claims against the former Directors are for (inter alia) (1) various injunctive reliefs, including restraining them from acting on the 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 (the “Group’s Records”), and (2) damages and/or equitable compensation as a result of the misconduct of the former Directors.

On 24 December 2015, the Company obtained the interlocutory injunction orders (the “December Injunction Orders”) against the Zhangs, Li Cheung Hung, Chang Zhangli and Wu Ling-Ling compelling them to (inter alia) disclose and deliver the Group’s Records to the Company. The December Injunction Orders were continued and remain in effect. 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 currently remain in effect.

On 7 April 2016, CNBM and ACC were joined as the defendants in HCA 2880/2015 premised on the conspiracy claim.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(II) Material Litigation in Hong Kong *(continued)*

(i) Litigation claim against the former board *(continued)*

HCA 2880 of 2015 (continued)

On 29 May 2017, Shandong Shanshui was joined as the 4th plaintiff 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 have 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).

On 28 July 2017, the Zhangs took out a Summons for leave to file their Defences and the hearing of the Summons is presently fixed for 4 September 2017. Subject to the Zhangs' application, the pleadings stage is now closed. All parties have filed and exchanged their List of Documents and the Company will file a supplemental list of documents before the parties file and exchange their witness statements on 11 October 2017. The Case Management Summons hearing will take place on 11 September 2017.

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 (as varied) continued and directions were given by the High Court 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 the terms substantially the same as the Worldwide Mareva Injunction. The parties will make written submissions to the Court with regard to the issue of costs.

The substantive hearing of the Company's application for leave to cross-examine Li Cheung Hung was heard on 1 September 2016 with judgment handed down on 13 October 2016 in favour of the plaintiffs. Li Cheung Hung appealed against the judgment which was dismissed on 15 November 2016. Leave was granted by the High Court to cross examine Li Cheung Hung. The hearing took place on 2 March 2017 and was adjourned part heard to a date to be fixed. The Company has decided not to re-list the hearing and so the cross-examination hearing of Li Cheung Hung has now been concluded.

The Company on 19 January 2017 obtained an order to seek disclosure of certain documents against the Stock Exchange and the SFC. The Stock Exchange and the SFC have on 16 February 2017 produced their respective list of documents for discovery.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(II) Material Litigation in Hong Kong *(continued)*

(i) Litigation claim against the former board *(continued)*

HCMP 1574 of 2016

Following the non-compliance of the December Injunction Orders and the January Injunction Orders on the part of the Zhangs, the Company has commenced committal proceedings against them (HCMP 1574/2016) upon granting of leave by the High Court. The substantive hearing is fixed for 28 September 2017 (with 2 days reserved). The plaintiffs have also successfully had certain affidavit evidence filed by Zhang Caikui and Zhang Bin struck out. An application for leave to appeal taken out by the Zhangs was heard on 24 March 2017 and was dismissed with costs on 29 March 2017.

The Zhangs further applied for leave to appeal to the Court of Appeal which was also dismissed with costs on 10 May 2017.

(ii) Litigation claim against the Company and certain director

HCA 1103 of 2017

On 10 May 2017, Mi Jingtian commenced a defamation action against Liu Yiu Keung, Stephen (in his capacity as the Director of the Company) and the Company by way of a writ of summons with an Indorsement of Claim, claiming against Liu Yiu Keung, Stephen and the Company for (inter alia) (1) an injunction restraining Liu Yiu Keung, Stephen and the Company from publishing the defamatory words of and concerning Mi Jingtian contained in the Company's announcements dated 10 and 27 April 2017 respectively, (2) an injunction restraining Liu Yiu Keung, Stephen and the Company from publishing the defamatory words of and concerning Mi Jingtian suggesting that he was engaged or involved in any criminal wrongdoing or activities, (3) an order requiring Liu Yiu Keung, Stephen and the Company to render a written apology to Mi Jingtian and (4) Damages.

The plaintiff also took out an inter-partes Summons for an interlocutory injunction against Liu Yiu Keung, Stephen and the Company on 11 May 2017. By the decision of the High Court dated 24 May 2017, Mi Jingtian's application for an interim injunction pending the substantive hearing of the Summons dated 11 May 2017 was dismissed with costs to Liu Yiu Keung, Stephen and the Company on a nisi basis. The parties have made written submissions to the Court with regard to the issue of costs.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(II) Material Litigation in Hong Kong *(continued)*

(ii) *Litigation claim against the Company and certain director (continued)*

HCA 1103 of 2017 (continued)

In relation to Mi Jingtian's Summons dated 11 May 2017, Mi Jingtian has on 6 July 2017 decided to withdraw his application with costs to be determined by the High Court. The parties will make written submissions to the court with regard to the issue of costs.

Mi Jingtian filed a Statement of Claim on 30 June 2017 and Liu Yiu Keung, Stephen and the Company filed a Defence on 28 July 2017. In addition, on 27 June 2017, Liu Yiu Keung, Stephen and the Company have applied to the High Court by way of a Summons that Mi Jingtian does provide security for costs in these proceedings. Mi Jingtian opposed to this application and the substantive hearing is presently fixed for 9 November 2017.

On 10 August 2017, Mi Jingtian filed a Notice of Discontinuance to discontinue the action. The Company is seeking directions from the High Court to vacate the substantive hearing on 9 November 2017 and to seek costs against Mi Jingtian.

(iii) *Litigation claim against the current board*

HCMP 1268 of 2017

On 1 June 2017, ACC and its subsidiaries issued a petition in the High Court against Tianrui Group and its subsidiary, the Company, CSI and some former/present directors of the Company premised on an allegation of unfair prejudice in favour of Tianrui Group at the expense of the other shareholders of the Company including ACC (the "Petition").

On 12 July 2017, the Company and its former/present independent non-executive Directors issued a Summons for striking out the Petition (for those parts concerning the Company and its former/present independent non-executive Directors) on the grounds that it is scandalous, frivolous, vexatious, embarrassing and an abuse of the court's process (the "Striking Out Summons"). The substantive hearing of the Striking Out Summons is presently fixed for 3 November 2017.

On 1 August 2017, Li Heping, being both a director of Tianrui Group and the Company, informed the High Court of his intention to take out a striking out summons against the Petition. The said Summons has not yet been taken out.

For details, please refer to the announcement published by the Company on 2 June 2017.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(II) Material Litigation in Hong Kong *(continued)*

(iv) *Litigation claim against the Former Senior Management of Shandong Shanshui HCA 762 of 2017*

On 29 March 2017, the Company, Pioneer Cement and Shandong Shanshui commenced action (HCA 762/2017) against the Former Senior Management of Shandong Shanshui, namely Mi Jingtian, Chen Zhongsheng, Zhao Liping, Li Maohuan and Yu Yuchuan, for (inter alia) injunctive relieve to prohibit the Former Senior Management of Shandong Shanshui from holding themselves out as being director or officer of Shandong Shanshui, entering premises of Shandong Shanshui, removing asset and records from Shandong Shanshui, and solicit or entice officer or employ of Shandong Shanshui. Furthermore, Mi Jingtian, Zhao Liping, Li Maohuan and Yu Yuchuan are prohibited from removing from Hong Kong any of their assets, for each of them up to the value of RMB142 million (or its Hong Kong dollar equivalent).

On 11 April 2017, an ex parte injunction order was granted and on 21 April 2017, the injunction order was varied to exclude the CSI shares registered under the name of Mi Jingtian, Zhao Liping, Li Maohuan and Yu Yuchuan from the Mareva Injunction upon the undertaking that ACC has provided a bank guarantee in the sum of RMB 142 million to the plaintiffs.

On 19 May 2017, the plaintiffs issued a striking out summons to strike out parts of the affidavit evidence filed by Chen Zhongsheng.

On 31 May 2017, the defendants' application to discharge the injunction, the plaintiffs' application to continue the injunction until trial and the striking out Summons have been adjourned for substantive hearing to a date to be fixed.

(v) *Other litigations*

HCA 562 of 2016

Pioneer Cement and Shandong Shanshui issued a Writ of Summons against Yang Luyu and Su Shuwei on 4 March 2016 for (inter alia) an injunction to require the defendants to deliver up Pioneer Cement's property to Pioneer Cement in Hong Kong; an injunction to require the defendants to deliver Shandong Shanshui's company seal, litigation documents, books and records or injunction to require the defendants to obtain a new company seal for Shandong Shanshui; an injunction to restrain the defendants from publishing or causing to be published any public announcement or notice stating that the Zhangs and/or Chen Xueshi are the lawful directors of Shandong Shanshui etc..

A Notice of Discontinuance was filed on 25 July 2016.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(II) Material Litigation in Hong Kong *(continued)*

(v) Other litigations (continued)

HCMP 3134 of 2015

The Company issued an application by way of an inter-partes Originating Summons dated 25 November 2015 against Tianrui (International) Holding Company Limited, Tianrui Group, Bliss Talent Investments Limited, CSI, Li Fengluan, Li Liufa, Gaoling Fund, L.P. and Hillhouse Capital Management Limited, seeking an Order for (inter alia) the shares in respect of which the respondents respectively or jointly interested be subject to the restrictions of Part XV, Division 12 of the SFO.

The Company has decided to discontinue this action and a Notice of Discontinuance was filed on 16 June 2017.

HCMP 3114 of 2015

The Company issued an application by way of an ex-partes Originating Summons dated 24 November 2015 against Tianrui (International) Holding Company Limited; Tianrui Group, Bliss Talent Investments Limited, CSI, Li Fengluan, Li Liufa, Stephen Liu, Yen Ching Wai David, Sammy Koo, Gaoling Fund, L.P. and Hillhouse Capital Managements Limited seeking an Order for (inter alia) the shares in respect of which the respondents respectively or jointly interested be subject to the restrictions of Part XV, Division 12 of the SFO.

An Order for dismissal of the application was obtained on 22 April 2016.

HCMP 593 of 2015

CSI issued an action (HCMP 593/2015) against (inter alia) the Company in 2015 seeking an order to set aside the share options issued by the Company (details of which was disclosed in the Company's announcement dated 27 January 2015). The matter is presently held in abeyance following the Company's undertaking to the High Court that it (whether by itself, its directors, servants, agents or otherwise howsoever) will not take any step to implement the share options offered as described in its announcement dated 27 January 2015 until a certain period of time or further Order of the High Court.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(II) Material Litigation in Hong Kong *(continued)*

(v) *Other litigations (continued)*

HCA 1048 of 2015

The Company issued a Writ of Summons on 12 May 2015 (HCA 1048/2015) (and the validity of which has been extended for 12 months until 11 May 2017) against the former Board of Directors of the Company for breach of the directors' service agreements, an account for the relevant misappropriated funds and/or damages to be assessed and declaratory relief. The writ was issued by the Board led by the Zhangs and the current Board is looking into the claims. On 12 May 2017, the High Court ordered that the validity of the Writ of Summons be further extended for 12 months until 11 May 2018.

HCA 2194 of 2014

The Company issued a total of 563,190,040 ordinary shares of USD0.01 each to CNBM on 27 October 2014. The proceeds of RMB1,237.6 million were fully received from CNBM on 3 November 2014. The Company received a generally endorsed Writ of Summons dated 30 October 2014 issued by six individual minority shareholders of CSI in the High Court and a statement of claim which was served on the Company's legal adviser at that time by the plaintiffs' legal adviser on 23 January 2015, against the Company and CNBM. The plaintiffs sought an Order from the High Court for the subscription agreement and the subscription between the Company and CNBM be set aside. If this claim is successful then the Company would need to refund the proceeds to CNBM and the shares allotted would be cancelled. According to the Order of the High Court issued on 12 August 2015, the claim has been discontinued with costs awarded to, inter alia, the Company.

The Company has on 19 July 2017 filed its bill of costs and a notice of commencement of taxation pursuant to the Order on 12 August 2015 for claiming costs against the plaintiffs. Taxation hearing will be set down in mid-September 2017.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(III) Material Litigation in PRC

(i) *Backgrounds and progress of litigations against the former directors of Shandong Shanshui and Jinan Municipal Bureau of Commerce*

1. *Tampering with articles of association of Shandong Shanshui*

It can be confirmed from the judgment of the High Court of HCA2880/2015 that, on 14 October 2015, Zhang Caikui and Zhang Bin falsified the articles of association amendments of Shandong Shanshui through the unauthorized use of the name and official seal of Pioneer Cement. Through the tampering of the articles of association of Shandong Shanshui, Zhang Caikui and Zhang Bin were able to change the terms of investment of the shareholders, board members, and the appointment and removal of the directors of Shandong Shanshui. After the changes of the “articles of association amendments of Shandong Shanshui”, the number of board members was reduced from 5 to 3, consisting of Zhang Caikui, Zhang Bin, and Chen Xueshi.

On 27 October 2015, the Jinan Municipal Bureau of Commerce announced the Approval Regarding Changes to Terms of Investment of Shareholders and Other Matters of Shandong Shanshui Cement Group Company Limited (Ji Shang Wu Shen Pi Zi (2015) No. 112), agreeing to the changes to the terms of investment of shareholders, board members, as well as agreeing to the articles of association amendments of Shandong Shanshui on 14 October 2015.

On 28 October 2015, Shandong Shanshui completed the record registration of the changes mentioned above at the Jinan Administration for Industry and Commerce.

On 8 January 2016, 13 January 2016 and 15 January of 2016, the High Court made a judgment and issued an injunction, requiring Zhang Caikui and Zhang Bin to return all articles, records and other information, in electronic or non-electronic formats, that they have obtained during their tenure as the Director of the Company, China Shanshui (HK) and Pioneer Cement, or when holding other positions of senior management; restricting Zhang Caikui, Zhang Bin, or any employee agent to assist either or both of them to implement the articles of association amendments of Shandong Shanshui illicitly tampered with on 14 October 2015; restricting Zhang Caikui, Zhang Bin, or any employee agent to assist either or both of them in misappropriating any assets of Shandong Shanshui or its affiliated companies; as well as requesting that Zhang Caikui and Zhang Bin to correct (restore) the illicitly amended articles of association of Shandong Shanshui.

On 20 April 2016, the Registrar of the High Court signed the Shandong Shanshui articles of association amendments on behalf of Zhang Caikui and Zhang Bin (restoring it to before 14 October 2015).

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(III) Material Litigation in PRC *(continued)*

(i) *Backgrounds and progress of litigations against the former directors of Shandong Shanshui and Jinan Municipal Bureau of Commerce (continued)*

2. *Illegal detention of official seal of Shandong Shanshui*

On 30 January 2016, after the directors and legal representative of Shandong Shanshui appointed by Pioneer Cement taken over the headquarters of Shandong Shanshui office, it was confirmed that the official seal of Shandong Shanshui was missing after performing inventory and bookkeeping.

On 2 February 2016, Shandong Shanshui filed a report with the Jinan Changqing District Police Bureau, Gushan Police Station regarding the missing official seal, Shandong Shanshui also published a Statement of Missing Official Seal in China Economic Times and Hong Kong Cultural News.

On 4 February 2016, Jinan Changqing District Police Bureau, Gushan Police Station issued a Notice of Termination of Investigation to Shandong Shanshui, by saying that the reported matter does not belong to the jurisdiction of the Police Bureau, and refused to accept the case in accordance with the law.

On 16 February 2016, the former directors of Shandong Shanshui issued an Announcement on the Notice of the Establishment of Temporary Office stamped with the official seal of Shandong Shanshui on Shanshui's WeChat public account, claiming that the lawful office of Shandong Shanshui was under attack, and that temporary office space has been established.

On 27 June 2016, the Company received a Reply to China Shanshui Cement Group Limited from the Jinan Police Bureau, the letter claiming that Zhang Bin and the former board of directors of Shandong Shanshui composed of Zhang Caikui, Zhang Bin and Chen Xueshi has issued a statement, stating that the official seal of Shandong Shanshui has not been missing, damaged, forfeited, or voided, while Zhang Bin also provided a photo of him holding the official seal of Shandong Shanshui in his hand.

At this point, the Company's PRC legal advisers have confirmed that the Shandong Shanshui official seal has been illegally detained by its former Director, Zhang Bin.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(III) Material Litigation in PRC *(continued)*

(i) *Backgrounds and progress of litigations against the former directors of Shandong Shanshui and Jinan Municipal Bureau of Commerce (continued)*

3. *Progress of litigations against the former directors of Shandong Shanshui and Jinan Municipal Bureau of Commerce*

On 16 May 2016, the Company's PRC legal advisers initiated proceedings at the Beijing Haidian District People's Court on behalf of Shandong Shanshui, with the defendants being Zhang Caikui, Zhang Bin, Chen Xueshi, and Pioneer Cement as the third party, the case being the dispute of the company license return, Case No. (2016) Jing 0108 Min Chu No. 16825. On the same day, the Company's PRC legal advisers submitted an Application for Preservation of Conduct to the Beijing Haidian District People's Court on behalf of Shandong Shanshui, applying to prohibit Zhang Caikui, Zhang Bin and Chen Xueshi from using or authorizing the use of the official seal of Shandong Shanshui.

On 20 June 2016, Beijing Haidian District People's Court issued the (2016) Jing 0108 Min Chu No. 16825 Civil Ruling, prohibiting Zhang Caikui, Zhang Bin and Chen Xueshi from using or authorizing the use of the official seal of Shandong Shanshui that Shandong Shanshui has made a statement on China Economic Times and Hong Kong Wen Wei Po as missing and forfeited.

On 28 June 2016, the Company's PRC legal advisers accompanied the Judge of the Beijing Haidian District People's Court to deliver (2016) Jing 0108 Min Chu No. 16825 Civil Ruling to Zhang Caikui and Zhang Bin at Shandong Shanshui Heavy Industry Co., Ltd..

On 4 July 2016 Beijing Haidian District People's Court mailed (2016) Jing 0108 Min Chu No. 16825 Civil Ruling to Chen Xueshi.

On 11 July 2016, the Company's PRC legal advisers received the Statement for Reconsideration submitted by Chen Xueshi that was sent by the Beijing Haidian District People's Court.

On 18 July 2016, Beijing Haidian District People's Court issued (2016) Jing 0108 No. 16825 Decision for Reconsideration, dismissing the Statement for Reconsideration from Chen Xueshi. Due to the fact that after the case has been filed, Beijing Haidian District People's Court has yet to successfully deliver the litigation documents to Zhang Caikui and Zhang Bin.

On 9 October 2016, Beijing Haidian District People's Court published the notice in People's Court Daily, and according to the provisions of the Civil Procedure Law of the People's Republic of China, the notice is treated as served on 8 December 2016, and the term for Zhang Caikui and Zhang Bin to reply has expired on 23 December 2016.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(III) Material Litigation in PRC *(continued)*

(i) *Backgrounds and progress of litigations against the former directors of Shandong Shanshui and Jinan Municipal Bureau of Commerce (continued)*

3. *Progress of litigations against the former directors of Shandong Shanshui and Jinan Municipal Bureau of Commerce (continued)*

In October 2016, the representatives of Zhang Caikui and Zhang Bin went to the Beijing Haidian District People's Court during the notice period to obtain the litigation documents. Zhang Bin submitted a jurisdiction objection, claiming that his regular place of residence is in Jinan, Shandong Province, and as this case revolved around Shandong Shanshui, that it should eventually be transferred to the Jinan Municipal People's Court of Changqing District.

On 10 December 2016, Beijing Haidian District People's Court organized a meeting with the representatives of all parties excluding Pioneer Cement, and made inquiries to all parties regarding the jurisdiction objection submitted by Zhang Bin.

On 28 December 2016, the Company's PRC legal advisers received the (2016) Jing 0108 Min Chu No. 16825 Civil Ruling issued by Beijing Haidian District People's Court, whereby Beijing Haidian District People's Court has ruled to transfer the case to Jinan City Intermediate People's Court.

The Company's PRC legal advisers filed an appeal against the jurisdiction objection with the Beijing First Intermediate People's Court, requesting the revocation of the (2016) Jing 0108 Min Chu No. 16825 Civil Ruling issued by Beijing Haidian District People's Court, and to place this case under the jurisdiction of the Beijing Haidian District People's Court.

On 7 March 2017, the Beijing First Intermediate People's Court held a hearing on the jurisdiction objection submitted by the Company's PRC legal advisers.

On 27 March 2017, the Company's PRC legal advisers received (2017) Jing 01 Min Xia Zhong No. 138 Civil Ruling issued by Beijing First Intermediate People's Court, whereby Beijing First Intermediate People's Court, as a final ruling, rescind (2016) Jing 0108 Min Chu No. 16825 Civil Ruling issued by Beijing Haidian District People's Court and has ruled to place this case under the jurisdiction of Beijing Haidian District People's Court.

On 30 May 2017, Beijing Haidian District People's Court issued the (2016) Jing 0108 Min Chu No. 16825 Civil Ruling, requiring Zhang Caikui, Zhang Bin and Chen Xueshi to return the illegally held Shandong Shanshui official seal to Shandong Shanshui within ten days from the date of this judgment.

On 16 June 2017, Zhang Caikui, Zhang Bin and Chen Xueshi filed an appeal with the Beijing First Intermediate People's Court objecting to the (2016) Jin 0108 Min Chu No.16825 Civil Ruling.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(III) Material Litigation in PRC *(continued)*

(i) *Backgrounds and progress of litigations against the former directors of Shandong Shanshui and Jinan Municipal Bureau of Commerce (continued)*

4. *Progress of litigations with Jinan Municipal Bureau of Commerce*

On 25 January 2016, the Company's PRC legal advisers filed an administrative lawsuit on behalf of Pioneer Cement with the Jinan City District People's Court, the defendant being the Jinan Municipal Bureau of Commerce, Case No. (2016) Lu 0102 Xing Chu No. 45. On 1 April 2016, Jinan City Lixia District People's Court heard this case, the trial proceedings have been completed.

On 6 June 2016, Jinan City Lixia District People's Court issued (2016) Lu 0102 Xing Chu No. 45 Notice of Third Party Participation in Proceedings to Shandong Shanshui, notifying Shandong Shanshui that due to Jinan City Lixia District People's Court have discovered that there exists a legal interest between Shandong Shanshui and the handling of this case, therefore it has requested that Shandong Shanshui to participate in the proceedings in the case as a third party.

On 27 July 2016, Jinan Lixia District People's Court heard this case once more, and on that day, the lawyer appointed by Zhang Bin, representing himself as the legal representative of Shandong Shanshui, and the lawyer appointed by Li Heping, the legal representative of Shandong Shanshui at the time, both appeared in court at the same time. The representatives of Li Heping and Zhang Bin made representations to the court regarding "Who is the legal representative of Shandong Shanshui" respectively. The legal representatives of Shandong Shanshui appointed by Li Heping submitted Shareholders resolutions of Shandong Shanshui, Hong Kong High Court Orders and Injunction Orders, The Corrective Amendment to the articles of association of Shandong Shanshui signed on behalf of the Registrar of Hong Kong High Court, Declaration of loss of official seal of Shandong Shanshui, Acknowledgement of acceptance for case of illegal detention of official seal of Shandong Shanshui and Civil Ruling for prohibition of the use of the official seal of Shandong Shanshui, Supreme People's Court (2016) No. 393-398 Final Civil Ruling recognized Li Heping as the legal representative of Shandong Shanshui and evidences such as the Court Summons sent by Jinan City Lixia District People's Court to the registered and actual business address of Shandong Shanshui. Jinan City Lixia District People's Court has not proceed to confirm the actual legal representative of Shandong Shanshui, and trial could not be continued.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(III) Material Litigation in PRC *(continued)*

(i) *Backgrounds and progress of litigations against the former directors of Shandong Shanshui and Jinan Municipal Bureau of Commerce (continued)*

4. *Progress of litigations with Jinan Municipal Bureau of Commerce (continued)*

On 10 September 2016, Jinan City Lixia District People's Court issued (2016) Lu 0102 Xing Chu No. 45 Administrative Ruling, ordering the suspension of the proceedings of this case.

The decision of the Jinan City Lixia District People's Court in suspending the proceedings was that it must wait for the trial results of the Beijing Haidian District People's Court (2016) Jing 0108 Min Chu No. 16825 to confirm the legal representative of Shandong Shanshui, therefore the timeline for resuming the trial of this case depends on the progress of the trial of the Beijing Haidian District People's Court (2016) Jing 0108 Min Chu No. 16825.

On 12 January 2017, Pioneer Cement and Shandong Shanshui received a "Court Summons" of the case. On 14 February 2017, Jinan City Lixia District People's Court held a third trial to restore the hearing of the case, the trial court said the record of legal representative of Shandong Shanshui registered in the Registrar of Companies shall prevail, Jinan City Lixia District People's Court has granted the representative of Zhang Bin to participate in the litigation. The court proceedings have been completed. After the successful takeover of Shandong Shanshui so far, in the court case involving Shandong Shanshui, courts including the Supreme People's court, the Shandong Provincial Higher People's court, the Supreme People's Court of Shanghai, Shanghai First Intermediate People's Court, the Shanghai Second Intermediate People's Court, Shanghai City People's Court of Pudong New Area, Shenzhen City Intermediate People's Court and Jinan City Changqing District recognized Li Heping as the legal representative of Shandong Shanshui, court case like this recognized Zhang Bin as legal representative of the Shandong Shanshui is extremely rare.

On 24 March 2017, the Company's PRC legal advisors received the (2016) Lu 0102 Xing Chu No. 45 Civil Ruling dated 20 March 2017, dismissing the request for action.

On 6 April 2017, the Company's PRC legal advisers appealed to the Intermediate People's Court of Jinan City.

On 14 July 2017, the Company's PRC legal advisers received (2017) Lu 01 Xing Zhong No. 347 Administrative Ruling dated 10 July 2017 delivered by the Intermediate People's Court of Jinan City, dismissing the appeal and sustaining the original judgment.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(III) Material Litigation in PRC *(continued)*

(i) *Backgrounds and progress of litigations against the former directors of Shandong Shanshui and Jinan Municipal Bureau of Commerce (continued)*

5. *Progress of litigation with former directors of Shandong Shanshui related to damages to Shareholders' interests*

On 19 January 2016, the Company's PRC legal advisors filed a lawsuit on behalf of Pioneer Cement with the Shandong Provincial Higher People's Court, the defendants being Zhang Caikui, Zhang Bin, Chen Xueshi, with Shandong Shanshui being the third party, the case being the liability dispute of damages to shareholders' interests, Case No. (2016) Lu Min Chu No. 15.

On 4 March 2016, Zhang Bin submitted an Application for Jurisdiction Objection to the Shandong Provincial Higher People's Court, requesting that this case be transferred to a People's Court in Beijing with jurisdiction over the trial. The Shandong Provincial Higher People's Court was unable to issue a decision on the jurisdiction objection within the period stipulated in "Certain Provisions from the Supreme People's Court regarding the strict implementation of the Civil Procedure Law of the People's Republic of China during Economic Trials".

On 10 March 2016, the Company's PRC legal advisors first submitted the Application for Litigation Preservation to the Shandong Provincial Higher People's Court on behalf of Pioneer Cement, to apply for freezing RMB100 million bank deposits of Zhang Caikui, Zhang Bin and Chen Xueshi or a seizure of their equivalent property, as well as requesting a seizure of the equity and assets under the name of Shandong Shanshui.

On 15 March 2016, Shandong Provincial Higher People's Court issued the (2016) Lu Min Chu No. 15 Civil Ruling, for freezing RMB100 million bank deposits of Zhang Caikui, Zhang Bin and Chen Xueshi or a seizure of their equivalent property.

On 3 August 2016, the Company's PRC legal advisors submitted a reply to the jurisdiction objection with the Shandong Provincial Higher People's Court, recognizing the jurisdiction objection from Zhang Bin and agreeing to transfer the case to the Beijing Intermediate People's Court for trial.

On 24 August 2016, the Shandong Provincial Higher People's Court issued the (2016) Lu Min Chu No. 15 Civil Ruling, dismissing Zhang Bin's jurisdiction objection submitted regarding this case.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(III) Material Litigation in PRC *(continued)*

(i) *Backgrounds and progress of litigations against the former directors of Shandong Shanshui and Jinan Municipal Bureau of Commerce (continued)*

5. *Progress of litigation with former directors of Shandong Shanshui related to damages to Shareholders' interests (continued)*

On 27 September 2016, Shandong Provincial Higher People's Court published a notice in People's Court Daily to deliver (2016) Lu Min Chu No. 15 Civil Ruling to Zhang Caikui. According to the provisions of the Civil Procedure Law of the People's Republic of China, it was treated as served on 28 November 2016. During the term for reply, Zhang Bin has not filed an appeal against the jurisdiction objection.

On 10 March 2017, the Company's PRC legal advisers received Notification of Court Summons of the case, the trial will be held on 5 June 2017.

On 20 June 2017, Shandong Provincial Higher People's Court published a notice in People's Court Daily announcing the case will be changed to trial on 7 September 2017.

6. *Litigation with former senior management of Shandong Shanshui in respect of damages to the Company' interests*

On 6 April 2017, the Company's PRC legal advisers filed a lawsuit on behalf of Shandong Shanshui with Shandong Provincial Higher People's Court, the defendants being Mi Jingtian, Li Maohuan, Yu Yuchuan, Zhao Liping, Chen Zhongsheng and Liu Xianliang. The case involved the liability dispute of damages to the Company' interests, Case No. (2017) Lu Min Chu No. 22.

On 16 May 2017, the Company's PRC legal advisers received Application for Jurisdiction Objection delivered by the Shandong Provincial Higher People's Court. Chen Zhongsheng, Yu Yuchuan, Li Maohuan, Mi Jingtian, all being defendants, submitted jurisdiction objection respectively, requesting Shandong Provincial Higher People's Court to place this case under the Jinan Municipal People's Court of Changqing District.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(III) Material Litigation in PRC *(continued)*

(i) *Backgrounds and progress of litigations against the former directors of Shandong Shanshui and Jinan Municipal Bureau of Commerce (continued)*

6. *Litigation with former senior management of Shandong Shanshui in respect of damages to the Company' interests (continued)*

On 12 June 2017, the Company's PRC legal advisers submitted an Application for Property Preservation, Application for Preservation of Conduct, Application for Advanced Execution and Application for an Additional Party to Shandong Provincial Higher People's Court on behalf of Shandong Shanshui.

On 27 June 2017, Shandong Provincial Higher People's Court unofficially responded to the Company's PRC legal advisers, turning down the application for preservation of conduct and the application for advanced execution filed by Shandong Shanshui.

On 22 June 2017, Shandong Provincial Higher People's Court delivered the (2017) Lu Min Chu No.22 Civil Ruling to the Company's PRC legal advisers, transferring the case to Intermediate People's Court of Jinan City.

On 9 July 2017, the Company's PRC legal advisers appealed to the Supreme People's Court in relation to the ruling of jurisdiction objection.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(III) Material Litigation in PRC *(continued)*

(ii) Other litigations in PRC

As of the date of this report, there are 93 cases in which Shandong Shanshui has received the notice of the PRC Court but has yet to close the case. There is a total of 52 cases in the first instance, a total of 23 cases in the second instance, and 18 cases in the enforcement phase.

1. *Unsettled litigations with Shandong Shanshui as defendants*

There are 87 unsettled litigations with Shandong Shanshui as defendants, with the subject matter of the litigations approximately RMB5.55 billion. Categorizing by cases, there are 10 categories of unsettled litigations, with 40 cases of corporate bond transactions dispute, 17 sales and purchase contract dispute, 11 cases of construction contract dispute, 7 cases of equity transfer dispute, 4 cases of loan dispute, 4 cases of other contract dispute, 1 case of labor dispute, 1 case of bill dispute, 1 case of housing contract dispute and 1 case of effectiveness of corporate resolution.

2. *Unsettled litigations with Shandong Shanshui as plaintiff*

There are 3 unsettled litigations with Shandong Shanshui as plaintiff. Categorizing by cases, there are 3 categories of unsettled litigations, with 1 case of company license dispute, 1 cases of disputes relating to the company and 1 case of damages to the Company' interests dispute.

3. *Unsettled litigations with Shandong Shanshui as third person*

There are 3 litigations with Shandong Shanshui as third person. Categorizing by cases, there are 3 categories of unsettled litigations, with 1 case of administrative dispute, 1 case of damages to the Company' interests dispute, 1 case of computer software copyright licensing contract dispute.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(IV) Public Float

As at 16 April 2015, the public float of the Company was below 25%. As such, at the request of the Company, trading in the Shares and debt securities of the Company was suspended as from 9:00 a.m. on 16 April 2015. The Stock Exchange indicated that the trading in the Shares and debt securities of the Company will remain suspended until the 25% minimum public float is restored.

The Board has been taking active steps in consulting financial advisers to discuss all options available to the Company to restore the public float of the Company as required by Rule 8.08 of the Listing Rules with a view to resolving the public float issue.

The Board has approved in principle on 2 June 2016 the proposal for restoration of public float of the Company (the "Proposal"), involving an open offer on the basis of 4 new shares of the Company (the "Shares") for every 1 existing Share in combination with a placing of new/existing Shares (if necessary) to raise about HK\$4 billion to settle the outstanding debt of the Group including any outstanding amount of the 2020 Notes.

The Board has negotiated with the relevant parties and relevant underwriters through its financial adviser, including writing to CNBM and ACC but they refused to provide any financial support to the Company, in order to restore the public float of the Company, on 12 September 2016, the Company entered into an Engagement Letter with each of SHKIS and ABCI. Pursuant to the Engagement Letters, SHKIS and ABCI agreed to act as co-placing agents of the Company to, subject to the signing of the Prior Placing Agreement and the terms and conditions in the Prior Placing Agreement, place on a best efforts basis not less than 910,000,000 Placing Shares and not more than 950,000,000 Placing Shares at not less than the Placing Price of HK\$0.50 per Share to not less than six independent Placees. (the "Placing").

On 6 October 2016, the Company entered into the Prior Placing Agreement with SHKIS and ABCI in respect of the Placing.

On 18 November 2016, the Company entered into an engagement letter with each of the Manager and FCSL, pursuant to which the Manager and FCSL agreed to act as placing agents of the Company in addition of SHKIS and ABCI for the Placing.

On 28 November 2016, the Company, the Manager, FCSL, SHKIS and ABCI entered into the Placing Agreement to amend and restate the Prior Placing Agreement on the terms and conditions set forth therein, which shall amend, restate, supersede and replace in its entirety the Prior Placing Agreement, and to accept the rights created pursuant thereto in lieu of the rights granted to them under the Prior Placing Agreement, subject to the terms and conditions of the Placing Agreement.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(IV) Public Float *(continued)*

Subsequent to the publication of the Placing Circular on 30 December 2016, the Company received on 27 January 2017 a written requisition from certain Shareholders to convene and hold an extraordinary general meeting to consider the matters as stated in the Requisition Letter.

On 8 February 2017, the Company announced a notice of extraordinary general meeting and circular to shareholders of the Company on 16 February 2017 to convene an extraordinary general meeting to be held on 8 March 2017 (the "Requisition EGM").

At the onset of the EGM on 17 February 2017, the Chairman announced that he has also received verbal request from two substantial shareholders of the Company, namely Tianrui Group and CSI to adjourn the EGM until further notice. In order to facilitate the Shareholders to consider and approve, if appropriate, the Requisitions at the Requisition EGM, a resolution (the "Adjournment Resolution") was proposed by the chairman of the EGM to adjourn the EGM and all the ordinary resolutions (i.e. resolution no. 1 and resolution no. 2) (the "Ordinary Resolutions") as set out in the notice of the EGM (the "EGM Notice") regarding the Placing and the Refreshment of Scheme Mandate Limit until further notice. The Board announces that at the EGM held on 17 February 2017, the Adjournment Resolution was duly passed by the Shareholders by way of poll.

On 27 February 2017, an independent board committee comprised of independent non-executive directors of the Company has appointed Karl Thomson Financial Advisory Limited to advise the shareholders of the Company in the form of an IFA Letter on the Proposed Transactions in Placing.

In view of (i) the Previous Placing Long Stop Date will expire on 28 March 2017; and (ii) the time constraint for fulfilment of the requirements (including the appointment of an independent financial adviser to opine on the Proposed Transactions) as proposed by the Requisitionists and approved by the Shareholders at the Requisition EGM for the Proposed Transactions by the Previous Placing Long Stop Date, the Company anticipates that the Previous Placing will not be able to complete on or before the Previous Placing Long Stop Date and an agreement for extension of the Previous Placing Long Stop Date may not be reached between all the parties to the Amended and Restated Placing Agreement. In addition, as expressed by the various public minority Shareholders during the Company's extraordinary general meeting dated 17 February 2017 about their frustration on the prolonged suspension of the Company's shares and their urging for the Company to restore public float and resume trading of the Company's shares on the Stock Exchange as soon as possible. Coupled with the resumption of trading being a significant consideration for many financial institutions in the Company's discussion with them to provide financing facilities to the Company, the Board is of the view that the restoration of the public float and the resumption of the trading of the Company's shares on the Stock Exchange as an imperative criteria for the Company to improve its financial situation.

(VII) Major Events

5. MAJOR EVENTS *(continued)*

(IV) Public Float *(continued)*

On 13 March 2017, the Company issued a letter to the Previous Manager and the Previous Placing Agents to terminate the Amended and Restated Placing Agreement with immediate effect pursuant to the Amended and Restated Placing Agreement. All rights, obligations and liabilities of the parties under the Amended and Restated Placing Agreement have ceased and terminated immediately after the termination of the Amended and Restated Placing Agreement and no party shall have any claim against the other in relation thereto save for antecedent breaches of the provisions of the Amended and Restated Placing Agreement.

In order to restore the public float of the Company, on 13 March 2017, the Company, the Manager and the Placing Agents (the Manager, FCSL, SHKIS) entered into the New Placing Agreement for the Placing with major terms identical to the Previous Placing. The Company shall offer not less than 910,000,000 new Shares and not more than 950,000,000 new Shares for subscription and the Placing Agents agree to, use their best efforts, as agents of the Company to procure, either by themselves or through their sub-placing agents, the Placees to subscribe the Placing Shares at a Placing Price of not less than HK\$0.50 per Placing Share on the terms and conditions of the New Placing Agreement. Based on the minimum Placing Price of HK\$0.50, the gross proceeds from the proposed Placing will range from approximately HK\$455 million to HK\$475 million.

At present, the Placing has been delayed by the Placing Agents due to the Illegal Occupation.

Jinan government is assisting the Company to restructure the board of directors and senior management of Shandong Shanshui and to resolve the illegal occupation of the properties of Shandong Shanshui by its Former Senior Management. In addition, the Jinan government is proactively encouraging various shareholders of the Company to resolve the disputes in a cooperative, reconcilable, and an accountable manner.

The Company will work out a timetable with the Placing Agents for the Placing in order to restore the public float of the Company after the Illegal Occupation is resolved and issue further announcements to update the Shareholders as and when appropriate.

For details of the abovementioned matters, please refer to the announcements which the Company made on 16 April 2015, 22 May 2015, 14 January 2016, 19 February 2016, 23 March 2016 and 26 April 2016 ("Public Float Announcements"), the announcement made on 3 June 2016 ("Announcement regarding proposal for restoration of public float"), the announcements made on 12 September 2016, 6 October 2016, 18 November 2016, 28 November 2016, 27 February 2017 and 13 March 2017 ("Entering into of placing agreement relating to placing of new shares under specific mandate"), the circulars made on 30 December 2016 and 16 February 2017 and the announcement dated 8 August 2017 in relation to the updates of the Group.

(VIII) Interim Financial Statements (Unaudited)

Consolidated statement of profit or loss

for the six months ended 30 June 2017 – Unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
Revenue	3&4	6,315,011	4,600,759
Cost of sales		(4,449,683)	(3,885,979)
Gross profit		1,865,328	714,780
Other revenue	5	64,630	59,977
Other net expenses	5	(40,345)	(51,710)
Selling and marketing expenses		(256,049)	(209,455)
Administrative expenses		(1,059,088)	(695,306)
Profit/(Loss) from operations		574,476	(181,714)
Finance costs	6	(531,231)	(503,874)
Share of profits less losses of associates		276	(42,397)
Profit/(Loss) before taxation		43,521	(727,985)
Income tax	7	(144,041)	(80,914)
Loss for the period		(100,520)	(808,899)
Attributable to:			
Equity shareholders of the Company		(43,695)	(722,881)
Non-controlling interests		(56,825)	(86,018)
Loss for the period		(100,520)	(808,899)
Loss per share	9		
Basic (RMB)		(0.01)	(0.21)
Diluted (RMB)		(0.01)	(0.21)

The notes on pages 62 to 92 form part of this interim financial report.

(VIII) Interim Financial Statements (Unaudited)

Consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 June 2017 – Unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
Loss for the period		(100,520)	(808,899)
Other comprehensive income/(expenses) for the period:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of:			
financial statements of overseas subsidiaries		116,367	(90,059)
Available-for-sales securities:			
net movement in fair value reserve	8	376	(779)
Other comprehensive income/ (expenses) for the period		116,743	(90,838)
Total comprehensive income/ (expenses) for the period		16,223	(899,737)
Attributable to:			
Equity shareholders of the Company		73,048	(813,719)
Non-controlling interests		(56,825)	(86,018)
Total comprehensive income/ (expenses) for the period		16,223	(899,737)

The notes on pages 62 to 92 form part of this interim financial report.

(VIII) Interim Financial Statements (Unaudited)

Consolidated statement of financial position

at 30 June 2017 – Unaudited
(Expressed in Renminbi)

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current assets			
Fixed assets	10		
– Property, plant and equipment		17,156,556	17,716,429
– Land lease prepayments		2,266,945	2,293,955
		19,423,501	20,010,384
Intangible assets		626,237	512,565
Goodwill		14,223	14,223
Other financial assets		493,023	474,065
Interest in associates and joint ventures		277,735	256,559
Deferred tax assets		124,624	134,329
Other long-term assets		169,163	198,342
		21,128,506	21,600,467
Current assets			
Inventories	11	1,629,033	1,452,355
Trade and bills receivable	12	1,815,394	1,533,881
Other receivables and prepayments	13	871,469	968,950
Restricted bank deposits	14	73,295	88,003
Cash and cash equivalents	14	424,532	276,500
		4,813,723	4,319,689
Current liabilities			
Short-term bank loans	15	4,546,844	3,485,050
Current portion of other borrowings	16	2,743,309	2,770,909
Current portion of long-term bonds	17	6,754,392	7,193,863
Trade and bills payable	18	3,636,970	3,726,792
Other payables and accrued expenses	19	4,030,634	3,298,938
Current taxation		99,954	77,632
		21,812,103	20,553,184
Net current liabilities		(16,998,380)	(16,233,495)
Total assets less current liabilities		4,130,126	5,366,972

The notes on pages 62 to 92 form part of this interim financial report.

(VIII) Interim Financial Statements (Unaudited)

Consolidated statement of financial position

at 30 June 2017 – Unaudited
(Expressed in Renminbi)

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current liabilities			
Long-term bank loans	15	333,300	1,589,200
Other borrowings	16	8,836	4,546
Defined benefit obligations		154,244	156,773
Deferred income		277,023	273,298
Long-term payables		20,181	20,444
Deferred tax liabilities		64,821	66,472
		<u>858,405</u>	<u>2,110,733</u>
NET ASSETS			
		<u>3,271,721</u>	<u>3,256,239</u>
CAPITAL AND RESERVES			
Share capital	20(b)	227,848	227,848
Share premium		4,654,010	4,654,010
Share capital and share premium		4,881,858	4,881,858
Other reserves		(1,710,122)	(1,783,170)
Total equity attributable to equity shareholders of the Company			
		3,171,736	3,098,688
Non-controlling interests			
		99,985	157,551
TOTAL EQUITY			
		<u>3,271,721</u>	<u>3,256,239</u>

The notes on pages 62 to 92 form part of this interim financial report.

(VIII) Interim Financial Statements (Unaudited)

Consolidated statement of changes in equity

for the six months ended 30 June 2016 – Unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Statutory reserves	Other reserves	Exchange reserves	Fair value reserves	Accumulated losses			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2016	227,848	4,654,010	1,153,394	263,161	(134,227)	5,447	(2,139,381)	4,030,252	462,913	4,493,165
Changes in equity for the six months ended 30 June 2016:										
Loss for the period	-	-	-	-	-	-	(722,881)	(722,881)	(86,018)	(808,899)
Other comprehensive expenses	-	-	-	-	(90,059)	(779)	-	(90,838)	-	(90,838)
Total comprehensive expenses for the period	-	-	-	-	(90,059)	(779)	(722,881)	(813,719)	(86,018)	(899,737)
Derecognition of a subsidiary	-	-	(1,824)	-	-	-	-	(1,824)	(62,633)	(64,457)
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	(6,759)	(6,759)
Balance at 30 June 2016	227,848	4,654,010	1,151,570	263,161	(224,286)	4,668	(2,862,262)	3,214,709	307,503	3,522,212
Balance at 1 January 2017	227,848	4,654,010	1,193,568	268,921	(349,201)	4,802	(2,901,260)	3,098,688	157,551	3,256,239
Changes in equity for the six months ended 30 June 2017:										
Loss for the period	-	-	-	-	-	-	(43,695)	(43,695)	(56,825)	(100,520)
Other comprehensive income	-	-	-	-	116,367	376	-	116,743	-	116,743
Total comprehensive income/(expenses) for the period	-	-	-	-	116,367	376	(43,695)	73,048	(56,825)	16,223
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	(741)	(741)
Balance at 30 June 2017	227,848	4,654,010	1,193,568	268,921	(232,834)	5,178	(2,944,955)	3,171,736	99,985	3,271,721

The notes on pages 62 to 92 form part of this interim financial report.

(VIII) Interim Financial Statements (Unaudited)

Condensed consolidated cash flow statement

for the six months ended 30 June 2017 – Unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
	Note		
Operating activities			
Cash generated from operations		1,308,645	789,163
Interest paid		(309,397)	(503,224)
Tax paid		(113,790)	(32,349)
Net cash generated from operating activities		885,458	253,590
Investing activities			
Payment of purchase of long-term assets		(334,286)	(107,334)
Others		35,293	7,829
Net cash used in investing activities		(298,993)	(99,505)
Financing activities			
Proceeds from new loans and borrowings		64,000	–
Proceeds from loans from a shareholder		140,087	533,110
Repayment of loans and borrowings		(281,415)	(93,435)
Repayment of long-term bonds		(370,000)	(349,926)
Repayment of loans from a shareholder		–	(171,422)
Others		9,629	(12,128)
Net cash used in financing activities		(437,699)	(93,801)
Net increase in cash and cash equivalents		148,766	60,284
Cash and cash equivalents at 1 January	14	276,500	222,907
Effect of foreign exchange rates changes		(734)	572
Cash and cash equivalents at 30 June	14	424,532	283,763

The notes on pages 62 to 92 form part of this interim financial report.

(VIII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard 34 (“IAS 34”) “*Interim financial reporting*”, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 28 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted by China Shanshui Cement Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) in the preparation of the consolidated financial statements for the year ended 31 December 2016, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company.

A disclaimer of opinion was expressed in the auditors’ report dated 30 March 2017 on these consolidated financial statements because of the limitations in the scope of the audit and the potential interaction of the uncertainties and their possible cumulative effect on the consolidated financial statements.

(VIII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION *(Continued)*

Material uncertainties relating to the Group's ability to continue as a going concern

During the six months ended 30 June 2017, the Group had incurred a loss of approximately RMB101 million. As at the same date, the Group's current liabilities exceeded its current assets by RMB16,998 million. Its total interest-bearing borrowings liabilities amounted to RMB14,387 million, out of which RMB14,045 million is due within 12 months. The cash and cash equivalents of the Group amounted to RMB425 million as at 30 June 2017.

As disclosed in Notes 16 to 17, the Group breached the default clauses of the lending agreements of other borrowings totalling RMB2,720 million and long-term bonds totalling RMB6,754 million which are included in the Group's interest-bearing borrowings as at 30 June 2017. As at the date of the approval of the interim financial report, through commencing legal proceedings, several banks have demanded that the Group repay the overdue principal of other borrowings and long-term bonds of approximately RMB4,320 million, and certain suppliers and third parties also have demanded that the Group repay the overdue payables of approximately RMB411 million. These facts and circumstances indicate the existence of multiple material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to repay the outstanding interest-bearing borrowings and be able to finance its future working capital and financial requirements.

Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include, but are not limited to, the following:

- (i) The Group has been actively negotiating with a number of PRC banks and financial institutions for renewal and extension of loans and banking facilities with extended repayment terms. As a result, the Group successfully extended RMB1,450 million overdue bank loans and RMB27.6 million overdue other borrowings to the second half of 2017 and year 2018. In addition, in July 2017, the Group successfully negotiated with certain financial institutions to extend RMB220 million of other borrowings to the second half of 2017 and year 2018.

(VIII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION *(Continued)*

Material uncertainties relating to the Group's ability to continue as a going concern *(Continued)*

(ii) On 15 December 2016, Shandong Shanshui Cement Group Co., Ltd. ("Shandong Shanshui"; as the borrower), Tianrui Group Co., Ltd. ("Tianrui Group"; 天瑞集團股份有限公司), together with Shandong Shanshui as the undertaking parties) and China Cinda Asset Management Company Limited (Shandong branch) ("Cinda Shandong"; as the investor and the lender) entered into a debt investment framework agreement relating to Cinda Shandong or its related parties intending to carry out debt investment in Shandong Shanshui in order to resolve its relevant debt default issues and to replenish its liquidity. Based on the Framework agreement, Cinda Shandong or its related parties will invest an aggregate amount of up to RMB8 billion to Shandong Shanshui once the following conditions are met:

- Cinda Shandong and Shandong Shanshui have set up a borrowing vehicle with limited liability in the PRC which Cinda Shandong and Shandong Shanshui will inject RMB8 billion and RMB0.5 billion respectively to the vehicle;
- The resolution of the debt default issues have been unanimously approved by Shandong government, the banks with breached borrowings and Cinda Shandong;
- Cinda Shandong has appointed a director of Shandong Shanshui and Shandong Shanshui's articles of association have been amended to state in writing that the following activities of Shandong Shanshui would require unanimously approval by all board members:
 - investment made by Shandong Shanshui over RMB30 million;
 - financing made by Shandong Shanshui over RMB30 million;
 - assets disposal made by Shandong Shanshui over RMB10 million; and
 - all pledge of assets and guarantees made by Shandong Shanshui.
- Shandong Shanshui have provided the pledge for certain assets or investment in subsidiaries for each borrowing from Cinda Shandong, the principal amount of which should not exceed 50% of the value of the pledge assets or investment in subsidiaries.

As at the date of this report, none of the above conditions is fulfilled. The management are of the opinion that they will use their best endeavours to get borrowings from Cinda Shandong to solve its debt default issues in the PRC.

(VIII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION *(Continued)*

Material uncertainties relating to the Group's ability to continue as a going concern *(Continued)*

- (iii) As at the date of this report, the balance of loans from the largest shareholder of the Company, Tianrui Group, was RMB614 million. According to the loan contracts between Tianrui Group and the Company, the loans borrowed from Tianrui Group are unsecured, interest-free and repayable on demand. Tianrui Group has confirmed that it will use its best endeavours not to request the Company to repay the above loans totalling RMB614 million for at least twelve months from the end of the reporting period without first considering the Company's ability to repay.
- (iv) The Group is also maximizing its sales effort, including speeding up sales of its existing inventories, seeking new orders and implementing comprehensive policies to improve operating cash flows.
- (v) Tianrui Group has confirmed that it will provide sufficient support to the Group when the Company faces difficulties in repaying the overdue principal and interest in relation to the above-mentioned bank loans, other borrowings and long-term bonds for at least twelve months from the end of the reporting period.

The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements for the six months ended 30 June 2017 on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

(VIII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

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

The Group manages its businesses by geographical areas. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following four reportable segments. Each reportable segment has aggregated those operating segments which located in the geographical areas.

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

(VIII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

3 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities

Segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets, investments in financial assets and other corporate assets. Segment liabilities include trade and bills payable and other payables and accrued expenses and bank loans and other borrowings managed directly by the segments.

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.

The measure used for reporting segment profit is "adjusted profit before taxation". To arrive at adjusted profit before taxation, the Group's profits are further adjusted for items not specifically attributed to an individual reportable segment, such as share of profits less losses of associates, directors' remuneration, auditors' remuneration, finance costs in relation to the unallocated bank loans and borrowings, long-term bonds and other head office or corporate administration expenses.

In addition to receiving segment information concerning adjusted profit before taxation, management is provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

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3 SEGMENT REPORTING (Continued)

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	2017					2016				
	Shandong	Northeastern	Shanxi	Xinjiang	Total	Shandong	Northeastern	Shanxi	Xinjiang	Total
	Province	China	Province	Region		Province	China	Province	Region	
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										
Revenue from external customers	4,320,831	1,267,405	550,765	176,010	6,315,011	2,885,660	1,195,820	310,743	208,536	4,600,759
Inter-segment revenue	23,355	-	-	-	23,355	12,548	-	-	-	12,548
Reportable segment revenue	4,344,186	1,267,405	550,765	176,010	6,338,366	2,898,208	1,195,820	310,743	208,536	4,613,307
Reportable segment profit/										
(loss) (adjusted profit/										
(loss) before taxation	718,689	(129,511)	(5,909)	44,692	627,961	27,536	(153,974)	(89,964)	38,552	(177,850)
Impairment of property, plant and equipment	-	-	-	-	-	-	74	-	-	74
As at 30 June/31 December										
Reportable segment assets	11,236,578	7,993,759	5,021,964	905,910	25,158,211	11,139,381	8,064,643	5,065,669	912,495	25,182,188
Reportable segment liabilities	3,694,958	2,043,007	795,773	326,212	6,859,950	3,453,208	1,956,815	803,376	345,546	6,558,945

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3 SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Profit		
Reportable segment profit/(loss)	627,961	(177,850)
Elimination of inter-segment loss	5,831	3,367
Reportable segment profit/(loss) derived from group's external customers	633,792	(174,483)
Share of profits less losses of associates	276	(42,397)
Unallocated finance costs	(488,328)	(464,223)
Unallocated head office and corporate expenses	(102,219)	(46,882)
Consolidated profit/(loss) before taxation	43,521	(727,985)

4 SEASONALITY OF OPERATIONS

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

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5 OTHER REVENUE AND OTHER NET EXPENSES

	<u>Six months ended 30 June</u>	
	2017 RMB'000	2016 RMB'000
<i>Other revenue</i>		
Interest income	3,704	3,813
Government grants	46,610	43,777
Amortisation of deferred income	8,341	8,442
Others	5,975	3,945
	64,630	59,977
<i>Other net expenses</i>		
Net loss from disposal of fixed assets	(95)	(256)
Net foreign exchange (loss)/gain	(34,309)	7,491
Impairment losses on investments in an associate	–	(49,000)
Penalty expenses	(3,372)	(2,930)
Impairment losses on fixed assets	–	(74)
Others	(2,569)	(6,941)
	(40,345)	(51,710)

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6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Interest on bank loans, other borrowings and long-term bonds	514,054	486,145
Less: capitalised interest expenses (*)	(239)	(1,822)
Net interest expenses	513,815	484,323
Unwinding of discount	2,945	3,206
Bank charges	14,471	16,069
Finance charges on obligations under finance lease	–	276
	531,231	503,874

* The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation related to construction of plant are 5.94% and 5.87% for the six months ended 30 June 2017 and 2016 respectively.

(b) Other items

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Depreciation	645,536	682,313
Amortisation		
– land lease prepayments	29,073	28,916
– intangible assets	43,779	25,076
	718,388	736,305

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7 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Current tax expenses		
Provision for the PRC income tax	136,112	79,566
Deferred taxation		
Origination and reversal of temporary differences	7,929	1,348
	144,041	80,914

- (i) 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.
- (ii) No provision for Hong Kong Profits Tax has been made as the subsidiaries incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax during the six months ended 30 June 2017 and 2016.
- (iii) Pursuant to the currently applicable income tax rules, the PRC regulations and local income tax concessions granted, the companies comprising the Group in the PRC are liable to the PRC Corporate Income Tax at a rate of 25% during the six months ended 30 June 2017.

8 OTHER COMPREHENSIVE INCOME

Except for the following item, other components of other comprehensive income do not have any significant tax effect for six months ended 30 June 2017 and 2016.

	Six months ended 30 June					
	2017			2016		
	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Available-for-sale securities: net movement in fair value reserve	501	125	376	(1,039)	(260)	(779)

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9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the six months ended 30 June 2017 is based on the loss attributable to ordinary equity shareholders of the Company for the period of RMB43,695,000 (corresponding period in 2016: RMB722,881,000) and the weighted average number of ordinary shares of 3,379,140,240 (corresponding period in 2016: 3,379,140,240) in issue during the interim period.

(b) Diluted loss per share

The Company has granted two batches of share options to directors and employees, they are:

- On 25 May 2011, the Company granted 7,300,000 ordinary share options to certain directors and employees, which was vested immediately after being granted (“the 2011 Options”). The exercise price of the 2011 Options are HKD7.90.
- On 27 January 2015, the Company granted 207,300,000 ordinary share options to certain directors and employees, which vested six months after being granted (“the 2015 Options”). The exercise price of the 2015 Options are HKD3.68.

The Company’s shares have been suspended for trading since 16 April 2015. The average share prices of the Company for the period from 1 January 2015 and 15 April 2015 were HKD4.49.

The 2011 Options have not been included in the calculation of diluted earnings per share because they were assumed to have been anti-dilutive for both the six months ended 30 June 2016 and 2017, on the assumption that in the period from 16 April 2015 to 30 June 2017 the share price of the Company will not have risen above its last quoted price on 15 April 2015 and therefore the average market price of the Company’s shares for the six months ended 30 June 2016 and 2017 is assumed to be less than the exercise price of the options.

The directors of the Company are also of the opinion that the 2015 Options are anti-dilutive for the six months ended 30 June 2016 and 2017. This assumption has been made as the directors cannot conclude that the exercise of the 2015 Options would result in the issue of ordinary shares for less than the average market price of ordinary shares during six months ended 30 June 2017, in the absence of market price information from 16 April 2015 to 30 June 2017 and taking into account the adverse nature of the events which have affected the affairs of the Company and its subsidiaries since that date.

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10 FIXED ASSETS

- (a) During the six months ended 30 June 2017, the addition of fixed assets of the Group amounted to RMB149,498,000 (corresponding period in 2016: RMB143,947,000). Items of fixed assets with net book value totalling RMB61,772,000 were disposed of during the six months ended 30 June 2017 (corresponding period in 2016: RMB1,720,000), resulting in a loss on disposal of RMB95,000 (corresponding period in 2016: loss on disposal of RMB256,000).
- (b) No property, plant and equipment which were obsolete, damaged or that could not generate future economic benefits were provided against for impairment for the six months ended 30 June 2017 (corresponding period in 2016: RMB74,000).
- (c) As at the date of this report, land lease prepayments carried at RMB37 million and fixed assets carried at RMB78 million have been frozen by the PRC Court pending the outcome of the legal proceedings initiated by the Group's creditors relating to overdue bank loans, other borrowings and long-term bonds. Further details of this litigation are set out in Notes 16 to 18. Under the Court order, the Group may continue to use these assets in its business but is prohibited from selling or transferring the assets until the litigation is resolved.

11 INVENTORIES

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Raw materials	480,766	371,050
Semi-finished goods	473,529	398,325
Finished goods	326,771	306,100
Spare parts	347,967	376,880
	<u>1,629,033</u>	<u>1,452,355</u>

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12 TRADE AND BILLS RECEIVABLE

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Bills receivable	615,134	215,425
Trade debtors	1,402,568	1,520,943
Less: allowance for doubtful debts	(202,308)	(202,487)
	<u>1,815,394</u>	<u>1,533,881</u>

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable, based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 3 months	1,092,345	711,488
3 to 6 months	142,303	202,181
6 to 12 months	209,013	200,536
Over 12 months	371,733	419,676
	<u>1,815,394</u>	<u>1,533,881</u>

All of the trade and bills receivable (net of impairment losses for bad and doubtful debts) are expected to be recovered within one year.

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good credit record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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13 OTHER RECEIVABLES AND PREPAYMENTS

		At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
	Note		
Prepayments for raw materials		52,634	62,851
Prepayments for long-lived assets		98,079	206,669
VAT recoverable		241,281	238,442
Amount due from related parties	24(b)	26,686	29,299
Amount due from third parties		365,224	358,671
Disputed cash with ex-directors		6,500	6,500
Others		81,065	66,518
		871,469	968,950

14 CASH AND CASH EQUIVALENTS

		At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Cash at bank and in hand		497,827	364,503
Less: Restricted bank deposits (*)		(73,295)	(88,003)
Cash and cash equivalents		424,532	276,500

* Restricted bank deposits include RMB37,333,000 as at 30 June 2017 (31 December 2016: RMB33,143,000) of cash deposits pledged to banks for the performance guarantee in relation to certain sales or purchases contracts and unsettled letter of credit, and RMB35,962,000 (2016: RMB54,860,000) of cash and cash equivalents which has been frozen by the PRC Court pending the outcome of the legal proceedings initiated by the Group's creditors relating to other borrowings, long-term bonds and certain sales or purchase contracts. Further details of this litigation are set out in Notes 16 to 18.

The pledged bank deposits will be released upon the expiry of the relevant guarantee. The frozen cash and cash equivalents may not be used by the Group until the litigation is resolved.

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15 BANK LOANS

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Bank loans – Secured (*)	4,162,144	4,420,250
Bank loans – Unsecured	718,000	654,000
	<u>4,880,144</u>	<u>5,074,250</u>

* Bank loans were either pledged by certain land lease prepayments with an aggregate carrying amount of RMB4,428,000 or guaranteed by companies within the Group.

The bank loans were repayable as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within one year on demand	4,546,844	3,485,050
After one year but within two years	253,500	1,476,800
After two years but within five years	79,800	112,400
	<u>333,300</u>	<u>1,589,200</u>
	<u>4,880,144</u>	<u>5,074,250</u>

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16 OTHER BORROWINGS

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

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Loan from government – Unsecured	(i)	4,545	5,455
Short-term financing bills	(ii)	2,747,600	2,770,000
		<u>2,752,145</u>	<u>2,775,455</u>

At 30 June 2017, other borrowings were repayable as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within one year on demand	2,743,309	2,770,909
After one year but within two years	6,109	909
After two years but within five years	2,727	2,728
After five years	–	909
	<u>8,836</u>	<u>4,546</u>
	<u>2,752,145</u>	<u>2,775,455</u>

Notes:

- i) The government loan was received by Liaoning Shanshui Gongyuan Cement Co., Ltd. for constructing an environmental friendly production line. The loan is unsecured, bears interest at one-year PRC deposit interest rate plus 0.3% and is repayable in equal instalments from 2012 to 2021.
- (ii) All of the short-term financing bills are issued by Shandong Shanshui Cement Group Co., Ltd (“Shandong Shanshui”) in the PRC inter-bank market. As at 30 June 2017, the details of short-term financing bills are listed below:

Issuer	Principal (RMB'000)	Issue date	Maturity date	Interest rates (per annum)	Interest payment term
Shandong Shanshui	1,947,600	14/04/2015	22/11/2015	5.3%	settled at the maturity date
Shandong Shanshui	800,000	14/05/2015	12/02/2016	4.5%	settled at the maturity date

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16 OTHER BORROWINGS *(Continued)*

During the reporting period, the Group settled the overdue principal of the short-term financing bills of RMB22.4 million.

Up to 30 June 2017, the Group successfully extended RMB27.6 million for the principal of the short-term financing bills to the second half of 2017 and year 2018. The remaining principal of RMB2,720 million of the short-term financing bills issued by Shandong Shanshui are still overdue.

Several banks and financial institutions have commenced legal proceedings against the Group to demand immediate repayment of the overdue principal of short-term financing bills of RMB1,980 million and medium-term notes of RMB2,340 million (see Note 17), plus any interest, penalty interest and expenses incurred during the litigation. As of the date of this report, the status of these litigations so far as to relate to other borrowings is as follows:

- Certain litigations with RMB1,250 million overdue principal has been judged by the PRC Court, with the Court ordering the Group to repay the overdue principal, the related interest, penalty interest and expenses incurred during the litigation. For the overdue principal of RMB1,250 million, the Group is still negotiating with certain financial institutions for an extension or a restructuring plan. In July 2017, the Group successfully extended RMB220 million overdue principal of the short-term financing bills to the second half of 2017 and year 2018.
- The remaining pending litigations with the overdue principal of RMB730 million are still in progress. For the overdue principal, the Group is still negotiating with the PRC banks and financial institutions for an extension or a restructuring plan.

Details of the status of this litigation so far as it relates to medium-term note are set out in Note 17.

The default has not yet resulted in any litigation in respect of the remaining overdue principal of short-term financing bills of RMB740 million. The management has been actively negotiating with certain financial institutions for a renewal or an extension or a restructuring plan.

Certain assets of the Group have been frozen by the PRC Courts in respect of the litigations relating to other borrowings, long-term bonds and certain sales or purchases contracts. As at the date of this report, RMB36 million of cash and cash equivalents (see Note 14), RMB4,713 million of investments in subsidiaries, RMB37 million of land use rights (see Note 10) and RMB78 million of fixed assets (see Note 10) have been frozen by the PRC Courts.

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17 LONG-TERM BONDS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Medium-term notes and other note	3,860,000	4,230,000
Less: Current portion of medium-term notes and other note	(3,860,000)	(4,230,000)
Senior notes	2,894,392	2,963,863
Less: Current portion of senior notes	(2,894,392)	(2,963,863)
Long-term bonds, less current portion	<u>—</u>	<u>—</u>

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

<u>Issuer</u>	<u>Principal (RMB'000/USD'000)</u>	<u>Issue date</u>	<u>Maturity date</u>	<u>Interest rates (per annum)</u>	<u>Interest payment term</u>
(a) Medium-term notes issued in the PRC inter-bank market (note (i))					
Shandong Shanshui	RMB1,800,000	18/01/2013	21/01/2016	5.44%	annually
Shandong Shanshui	RMB980,000 (*)	27/02/2014	27/02/2017	6.10%	annually
Shandong Shanshui	RMB1,080,000 (*)	09/05/2014	12/05/2017	6.20%	annually

* During the six month ended 30 June 2017, the Group has repaid RMB70 million principal of the medium-term notes upon the agreement reached with certain financial institutions in the year 2016.

(b) Senior notes issued in the Stock Exchange of Hong Kong Limited (note (ii))

The Company	USD427,253	11/03/2015	10/03/2020	7.50%	semi-annually
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17 LONG-TERM BONDS *(Continued)*

- (i) Up the date of this report, all of the medium-term notes issued by Shandong Shanshui are overdue or breached the default clauses of the lending arrangements.

As disclosed in Note 16, several financial institutions have commenced legal proceedings against the Group to demand immediate repayment of the overdue principal of medium-term notes of approximately RMB2,340 million plus any interest, penalty interest and expenses incurred during the litigation. As of the date of this report, the status of these litigations is as follows:

- Certain litigations with overdue principal of RMB1,480 million have been judged by the PRC Court, with the Court ordering the Group to repay the overdue principal, the related interest, penalty interest and expenses incurred during the litigation. For the overdue principal of RMB1,480 million, the Group is still negotiating with the PRC bank for an extension or a restructuring plan.
- The remaining pending litigations with the overdue principal of RMB860 million are still in progress. The Group is still negotiating with the PRC banks and financial institutions for an extension or a restructuring plan.
- Certain assets of the Group have been frozen by the PRC Court in respect of the litigations of these the medium-term notes (see Note 16).

The default has not yet resulted in any litigation in respect of the remaining overdue principal of the medium-term notes of RMB1,520 million. The management has been actively negotiating with certain financial institutions for a renewal or an extension or a restructuring plan.

- (ii) The Company issued a senior note with principal of USD500 million (five-year period) to corporate investors in The Stock Exchange of Hong Kong Limited on 11 March 2015 (the “2020 Note”). The 2020 Note bears fixed interest of 7.5% per annum payable semi-annually.

On 14 January 2016, the Company made an announcement to propose an offer to re-purchase the principal amount of USD500,000,000 of the 2020 Note. As at the expiration date of the proposal on 14 March 2016, USD484,971,000 of the principal amount of the 2020 Note have validly accepted the proposal. Up to the date of this report, the Company has re-purchased USD72,747,000 of the principal of the 2020 Note.

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18 TRADE AND BILLS PAYABLE

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Trade payables	3,636,970	3,726,792

As at 30 June 2017 and 31 December 2016, all trade and bills payable of the Group are repayable on demand except for bills payable which are repayable within 6 months. All trade and bills payable are expected to be settled within one year.

As at 30 June 2017, certain suppliers and third parties have filed 54 lawsuits against Shandong Shanshui and its subsidiaries to demand that the Group immediately settle trade payables with carrying amount of RMB225 million as at 30 June 2017 plus interest for late payment, if any. As at the date of this report, the status is as follows:

- The Group have been successful in their application to postpone 12 of the pending lawsuits. These postponed lawsuits related to trade payables with carrying amount of RMB39 million as at 30 June 2017.
- The remaining lawsuits relating to trade payables with carrying amount of RMB99 million as at 30 June 2017 are still in the duration of hearings.

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

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19 OTHER PAYABLES AND ACCRUED EXPENSES

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Customer deposits and receipts in advance		977,453	525,794
Accrued payroll and welfare		127,168	298,016
Taxes payable other than income tax		218,806	136,215
Staff compensation and termination provisions		185,945	186,874
Amount due to related parties	24(b)	727,059	615,390
Payable to third parties of acquired subsidiaries		132,804	109,594
Acquisition consideration payable (Note)		283,072	296,270
Current portion of long-term payables		16,094	16,094
Accrued expenses and other payables		1,362,233	1,114,691
		<u>4,030,634</u>	<u>3,298,938</u>

Note: The previous shareholder of Xinhao Cement has sued the Group to settle the unpaid acquisition consideration payable of RMB102 million plus interest for late payment. Up to date of this report, the litigation is still in progress.

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The Board of Directors decided not to declare an interim dividend for the six months ended June 2017 (the corresponding period 2016: Nil).

Due to inability to comply with the certain covenants from the indentures of the Senior Notes issued by the Company (see Note 17), the Board of Directors has proposed no dividend distribution for the year ended 31 December 2016.

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20 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Share capital

	2017 & 2016	
	Number of shares	RMB equivalent RMB'000
Authorised:		
Ordinary shares of the Company of USD0.01 each	<u>10,000,000,000</u>	<u>701,472</u>
Ordinary shares of the Company, issued and fully paid:		
At 1 January and 30 June/31 December	<u>3,379,140,240</u>	<u>227,848</u>

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

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21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets measured at fair value (Continued)

Fair value hierarchy (Continued)

As at 30 June 2017, the Group only has available-for-sale securities which was measured at fair value at the end of the reporting period under Level 1 of the fair value hierarchy defined in IFRS 13.

	Fair value at 30 June 2017 RMB'000	Fair value measurements as at 30 June 2017 using		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Assets				
Available-for-sale securities:				
– Listed	7,904	7,904	–	–

	Fair value at 31 December 2016 RMB'000	Fair value measurements as at 31 December 2016 using		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Assets				
Available-for-sale securities:				
– Listed	7,403	7,403	–	–

During the six months ended 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (corresponding period in 2016: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2017 and 31 December 2016 except for the following senior notes, for which its carrying amounts and fair values are disclosed below:

	At 30 June 2017		At 31 December 2016	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Senior notes	2,894,392	2,257,626	2,963,863	2,352,418

22 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding not provided for in the interim financial report were as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Authorised and contracted for		
– the acquisitions of fixed assets	312,023	272,630
Authorised but not contracted for		
– the acquisitions of fixed assets	65,166	65,166
	377,189	337,796

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22 COMMITMENTS (Continued)

(b) Operating lease commitments

At 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 year	17,399	16,293
After 1 year but within 2 years	16,979	16,293
After 2 years but within 5 years	49,676	48,878
After 5 years	55,916	44,927
	139,970	126,391

The Group leases a number of pieces of land and ports storage space under non-cancellable operating leases. The leases typically run without any contingent lease terms, nor did the lease agreements contain any terms that may require higher future rental payments, restrictions on dividends, additional liabilities, or other terms.

23 CONTINGENT LIABILITIES AND OTHER EVENTS

(a) Guarantees issued

On 14 December 2016, the Company entered into a guarantee in favor of Bank of China Pingdingshan Branch as a security for the provision of the loan facility of RMB400 million to Tianrui Group. As at the reporting date, the directors do not consider it probable that a claim will be made against the Group under the guarantee. As at 30 June 2017, the balance of the loans from Tianrui Group was RMB614 million.

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23 CONTINGENT LIABILITIES AND OTHER EVENTS *(Continued)*

(b) Litigation contingencies

- (i) Shandong Shanshui and Pingyin Shanshui Cement Co., Ltd. have provided guarantees on behalf of Shanshui Heavy Industries for its bank loan with the principal of RMB300 million. The bank loan of Shanshui Heavy Industries bears the interest rate quoted by the People's Bank of China and is repayable within five years from 2015.

The PRC bank has commenced legal proceedings against Shanshui Heavy Industries and the Group to repay the overdue bank loan, the related interest, penalty interest and expenses incurred during the litigation. Certain land use right and properties of Shanshui Heavy Industries have been seized by the court. The directors of the Company considered that the fair value of seized assets was more than 300 million, and no provision for this claim is needed accordingly.

- (ii) On 1 June 2017, Asia Cement Corporation and its subsidiaries issued a petition in the Court of First Instance in the High Court of Hong Kong against Tianrui Group, the Company, China Shanshui Investment Company Limited and some former/present directors of the Company premised on an allegation of unfair prejudice in favour of Tianrui Group at the expense of the other shareholders of the Company including Asia Cement Corporation (the "petition"). On 12 July 2017, the Company and its certain former/present directors issued a summons for striking out the petition (for those parts concerning the Company and its former/present directors). The status of the proceedings is in the preliminary stage and the directors of the Company are of the view that the ultimate outcome of this claim cannot be reliably estimated at this stage and consider that no provision for this claim is needed accordingly.

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24 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions

		Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
	Note		
Recurring transactions			
Sales to:			
– Dong'e Shanshui Dongchang Cement Co., Ltd. ("Dong'e Shanshui")	(i)	1,973	2,461
– Dalian Cement Group Co., Ltd. ("Dashui Group")	(ii)	1,591	–
		3,564	2,461
Purchase from:			
– Dong'e Shanshui		–	684
– Dashui Group		–	1,052
– Shanshui Heavy Industries		–	25,300
		–	27,036
Non-recurring transactions			
Loans from related parties:			
– Jinan Shanshui Lixin Investment Development Co., Ltd. ("Jinan Lixin")	(iii)	5,215	214,589
– Jinan Shanshui Group Co., Ltd. ("Jinan Shanshui Group")		–	38
– Tianrui Group	(iv)	140,087	533,110
– Jinan Cement Product Factory	(v)	3,000	–
		148,302	747,737
Loans to an associate and related interest income:			
– Dong'e Shanshui	(vi)	1,056	1,092
Repayment of loans to an associate and related interests by:			
– Dong'e Shanshui	(vi)	–	6,683

(VIII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

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24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

		Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
Repayment of loans from related parties:			
– Jinan Lixin	(iii)	20,505	216,980
– Jinan Shanshui Group		–	24
– Tianrui Group	(iv)	–	171,422
– Jinan Cement Product Factory	(v)	3,300	–
		23,805	388,426
Interest paid on behalf of related parties:			
– Shanshui Heavy Industries	(vii)	8,282	–

Notes:

- (i) These represent sales of clinker to Dong'e Shanshui. The directors of the Company are of the opinion that these transactions were conducted on normal commercial terms and in the ordinary course of business of the Group.
- (ii) These represent sales of clinker to Dashui Group. The directors of the Company are of the opinion that these transactions were conducted on normal commercial terms and in the ordinary course of business of the Group.
- (iii) These relate to loans from Jinan Lixin which are all interest free. As at 30 June 2017, the unpaid principal to Jinan Lixin is RMB16,761,000.
- (iv) These relate to loans from Tianrui Group. These loans with total principal of RMB614,051,000 bear interest free.
- (v) These relate to loans from Jinan Cement Product Factory. As at 30 June 2017, the unpaid principal to Jinan Cement Product Factory is RMB1,920,000.
- (vi) These relate to loans and related interests to Dong'e Shanshui, the associate of the Group. These loans with total principal of RMB35,600,000 as at 30 June 2017 bear interest at one-year PRC bank loan interest rate of 6% (2016: 6%).
- (vii) As mentioned in Note 23(b)(i), the PRC bank has commenced legal proceedings against Shanshui Heavy Industries and the Group. With the negotiation between the Group and the PRC bank during the reporting period, Shandong Shanshui began to repay the related interest and penalty interest for the overdue bank loan of Shanshui Heavy Industries since 2017. The Group is negotiating with the PRC bank and the court for the settlement of the bank loan and the compulsory execution proceeding of the land use right and properties of Shanshui Heavy Industries which were seized by the court.

(VIII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

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24 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Accounts receivables due from:		
– Dong'e Shanshui	28	195
– Shanshui Heavy Industries	17,936	17,936
– Dashui Group	1,854	–
	19,818	18,131
Advances to suppliers:		
– Dong'e Shanshui	9	9
– Shanshui Heavy Industries	9,165	19,464
	9,174	19,473
Other receivables due from:		
– China Shanshui Investment	755	772
– Dong'e Shanshui	7	–
– Jinan Shanshui Jianxin Investment Development Co., Ltd.	1,917	1,917
– Shanshui Heavy Industries	11,773	4,077
– Jinan Shanshui Group	60	60
– Dashui Group	3,000	3,000
	17,512	9,826
Other financial assets due from		
– Dong'e Shanshui	37,438	36,382
	37,438	36,382
Accounts payable due to:		
– Shanshui Heavy Industries	87,381	97,772
	87,381	97,772
Other payables due to:		
– Dong'e Shanshui	210	356
– Jinan Lixin	16,761	32,051
– Jinan Shanshui Group	11,007	11,007
– Shanshui Heavy Industries	83,110	83,604
– Tianrui Group	614,051	486,147
– Jinan Cement Product Factory	1,920	2,220
	727,059	615,385
Advances from customers:		
– Dong'e Shanshui	–	5
	–	5

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24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Key management personnel remuneration

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

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Salary, allowances and other benefits	5,787	6,741
Contribution to defined contribution retirement plans	163	343
	5,950	7,084

25 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the six months ended 30 June 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
IFRS 9, <i>Financial instruments</i>	1 January 2018
Amendments to IFRS 2, <i>Share-based payment: Classification and measurement of share-based payment transactions</i>	1 January 2018
IFRS 16, <i>Leases</i>	1 January 2019

The Group will adopt the relevant amendments and new standards in the subsequent periods as required. The Group is in the process of making an assessment of what the impact of these amendments and new standards are expected to be in the period of initial application.