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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 691

2021 ANNUAL REPORT

Contents

(I) Definitions

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

"Company" or "China Shanshui" or "Shanshui Cement"	China Shanshui Cement Group Limited
"Group" or "China Shanshui Group"	the Company and its subsidiaries
"Financial Statements"	the consolidated financial statements of the Group
"Reporting Period"	the period from 1 January 2021 to 31 December 2021
"Board"	the Board of Directors of the Company
"Director(s)"	the Director(s) of the Company
"China Shanshui (HK)"	China Shanshui Cement Group (Hong Kong) Company Limited
"Pioneer Cement"	China Pioneer Cement (Hong Kong) Company Limited
"Continental Cement"	Continental Cement Corporation
"American Shanshui"	American Shanshui Development Inc.
"Shandong Shanshui"	Shandong Shanshui Cement Group Company Limited
"ACC"	Asia Cement Corporation
"CNBM"	China National Building Material Company Limited
"CSI"	China Shanshui Investment Company Limited
"Tianrui Group"	Tianrui Group Company Limited
"Shandong Region"	business covered by Eastern Shandong Operating Region, Western Shandong Operating Region and Southern Shandong Operating Region
"Eastern Shandong Operating Region"	business located at the Eastern Shandong Province, including Weifang, Qingdao, Yantai and Weihai, etc
"Western Shandong Operating Region"	business located at the Central and Western Shandong Province, including Zibo, Jinan and Hebei Province and Tianjin, etc
"Southern Shandong Operating Region"	business located at the Southern Shandong Province, including Zaozhuang, Jining, Heze and Henan Province, etc

(I) Definitions (Continued)

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

(II) Corporate Information

1. BOARD OF DIRECTORS AND BOARD COMMITTEES

Executive Directors

Mr. LI Huibao *(Chairman) (Appointed as Chairman of the Board and executive Director on 15 December 2021)*
Mr. CHANG Zhangli *(resigned as executive Director and Chairman of the Board on 15 December 2021)*
Ms. WU Ling-ling
Mr. HOU Jianguo *(Appointed as executive Director on 29 May 2021)*

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Executive Committee

Mr. LI Huibao *(Chairman) (Appointed as the Chairman and member on 15 December 2021)*
Mr. CHANG Zhangli *(resigned as Chairman and member on 15 December 2021)*
Ms. WU Ling-ling
Mr. HOU Jianguo *(Appointed as a member on 29 May 2021)*

Nomination Committee

Mr. HSU You-yuan *(Chairman) (Appointed as the Chairman on 29 May 2021)*
Mr. CHANG Zhangli *(resigned as Chairman and member on 29 May 2021)*
Ms. WU Ling-ling
Mr. HOU Jianguo *(Appointed as a member on 29 May 2021)*
Mr. CHANG Ming-cheng
Mr. LI Jianwei

(II) Corporate Information (Continued)

2. BASIC CORPORATE INFORMATION

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

(III) Financial and Business Data Summary

1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Unit: RMB'000)

	For the 12 months ended 31 December				
	2021	2020	2019	2018	2017
Revenue	**24,659,544**	20,891,454	21,478,831	17,872,818	14,773,644
Gross profit	**7,259,549**	6,964,665	7,271,722	5,923,471	4,412,403
Gross profit margin	**29.4%**	33.3%	33.9%	33.1%	29.9%
Profit from operations	**4,198,280**	4,659,112	4,692,516	3,779,350	1,980,514
Profit margin from operations	**17.0%**	22.3%	21.8%	21.1%	13.4%
EBITDA	**5,661,424**	6,182,307	6,281,973	5,238,698	3,447,725
EBITDA margin	**23.0%**	29.6%	29.2%	29.3%	23.4%
Net profit	**2,894,847**	3,274,390	3,028,382	2,168,847	546,470
Attributable to:					
Equity shareholders of the Company	**2,777,298**	3,186,993	2,973,104	2,196,657	600,817
Minority interests	**117,549**	87,397	55,278	(27,810)	(54,347)
Basic earnings per share *(RMB)*	**0.64**	0.73	0.68	0.62	0.18
Diluted earnings per share *(RMB)*	**0.64**	0.72	0.68	0.58	0.18

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unit: RMB'000)

	As at 31 December				
	2021	2020	2019	2018	2017
Non-current assets	**21,177,204**	20,499,061	20,610,663	20,214,657	20,753,158
Current assets	**7,786,483**	7,178,382	6,217,142	5,858,056	4,336,801
Total assets	**28,963,687**	27,677,443	26,827,805	26,072,713	25,089,959
Equity attributable to equity shareholders of the Company	**18,488,234**	15,702,798	12,497,200	9,522,248	3,915,327
Non-controlling interests	**265,648**	179,219	103,239	64,088	102,204
Non-current liabilities	**866,663**	1,955,931	3,045,630	3,258,193	1,327,726
Current liabilities	**9,343,142**	9,839,495	11,181,736	13,228,184	19,744,702
Total liabilities	**10,209,805**	11,795,426	14,227,366	16,486,377	21,072,428
Total equity and liabilities	**28,963,687**	27,677,443	26,827,805	26,072,713	25,089,959
Net gearing ratio	**5.6%**	13.9%	27.6%	42.6%	76.4%

(III) Financial and Business Data Summary (Continued)

3. CONSOLIDATED STATEMENT OF CASH FLOWS

(Unit: RMB'000)

	For the 12 months ended 31 December				
	2021	2020	2019	2018	2017
Net cash generated from operating activities	**3,553,072**	3,509,672	4,166,604	2,180,478	1,865,912
Net cash used in investing activities	**(2,097,184)**	(1,325,379)	(1,520,899)	(849,094)	(577,489)
Net cash used in financing activities	**(1,439,860)**	(2,135,273)	(2,600,085)	(348,529)	(1,253,495)
Net increase in cash and cash equivalents	**16,028**	49,020	45,620	982,855	34,928

4. KEY BUSINESS DATA

	2021	2020	2019	2018	2017
Sales volume of cement *('000 tonnes)*	**55,832**	51,250	47,546	39,186	41,131
Sales volume of clinker *('000 tonnes)*	**8,362**	8,699	8,205	9,953	9,232
Sales volume of concrete *('000 m^3)*	**3,553**	2,812	3,204	2,882	3,420
Unit selling price of cement *(RMB/tonne)*	**362.0**	330.7	363.6	337.2	276.3
Unit selling price of clinker *(RMB/tonne)*	**286.4**	263.9	278.0	270.9	239.8
Unit selling price of concrete *(RMB/m^3)*	**427.2**	454.6	497.8	459.1	349.8

(IV) Corporate Profile

(1) COMPANY BACKGROUND

The Company was incorporated in the Cayman Islands as an exempted company on 26 April 2006. The Company completed the restructuring on 6 September 2007 and become the ultimate holding company of the Group and being listed on the Main Board of the Stock Exchange (Stock Code: 00691) on 4 July 2008. The Company holds 100% equity interest in China Shanshui (HK) and does not operate any business since the date of registration.

China Shanshui (HK) is a limited company incorporated in Hong Kong and holds 100% equity interest in Pioneer Cement; Pioneer Cement is a limited company incorporated in Hong Kong and holds 100% equity interest in Shandong Shanshui, it is the sole shareholder of Shandong Shanshui.

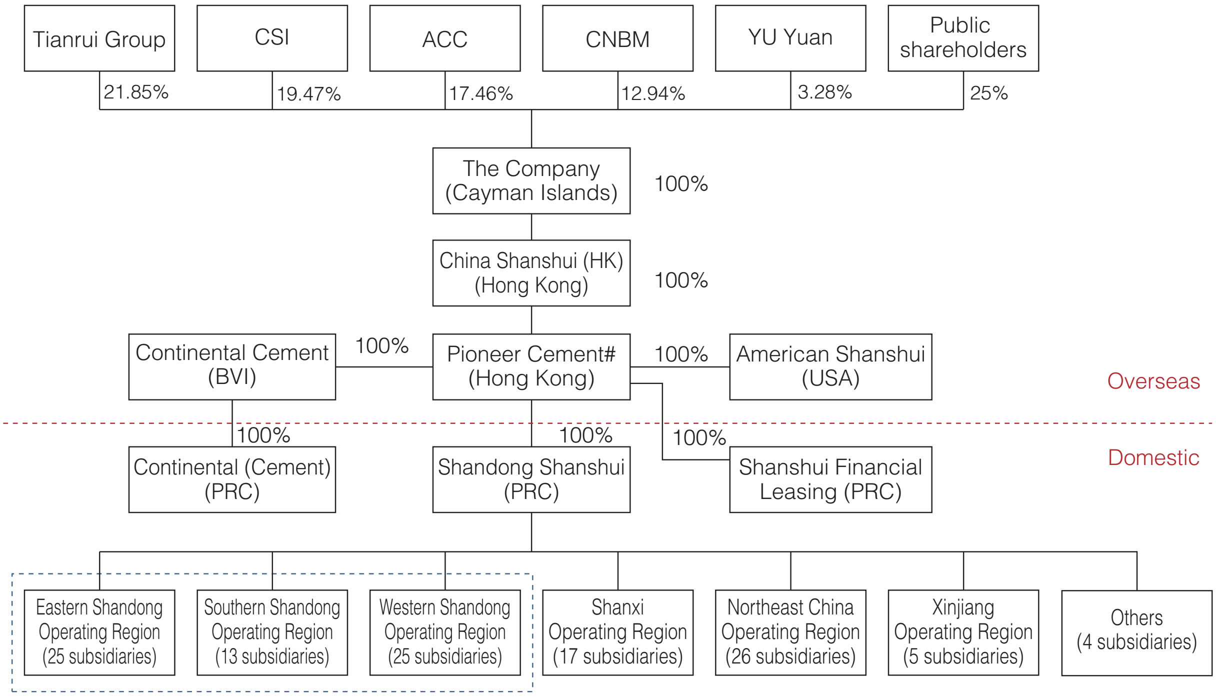
Shandong Shanshui is a wholly foreign-owned limited company established by Pioneer Cement in 2005 through the acquisition of shares in Jinan, Shandong Province in accordance with the laws and regulations of the PRC.

Shandong Shanshui is one of the 12 national large-scale cement enterprises with national key support. At present, Shandong Shanshui has 115 subsidiaries spreading across more than ten provinces including Shandong, Liaoning, Shanxi, Inner Mongolia and Xinjiang.

Shandong Shanshui is based in Shandong, it has already established its base for clinker production in Jinan, Zibo, Weifang and Yantai, with supporting cement grinding enterprises spreading across more than ten locations within the province, with its production scale ranking at No. 6 in China within its industry.

All cement production and most of the concrete production subsidiaries of the Group in the PRC have acquired the Certification of ISO9001, ISO14001 and OHSAS18001. “Shanshui Dong Yue” is rated as Shandong Famous Brand, and National Certified Quality Credit AAA Gold Medal. It is widely used in national key projects, railways, highways, airports, real estates and other infrastructure construction.

(2) SHAREHOLDING STRUCTURE OF THE GROUP



\# Pioneer Cement directly owns the shareholdings of the following subsidiaries, including Anqiu Shanshui (25.16%), Weihai Shanshui (75.00%), Qingdao Chuangxin (75.03%), Linqu Shanshui (45.07%), Lingqu Aggregate (99.00%) in Eastern Shandong Operating Region; Zaozhuang Chuangxin (69.96%) in Southern Shandong Operating Region; Pingyin Shanshui (25.00%) in Western Shandong Operating Region; and Dandong Shanshui (25.25%) and Shenyang Shanshui (18.10%) in Northeast China Operating Region.

(IV) Corporate Profile (Continued)

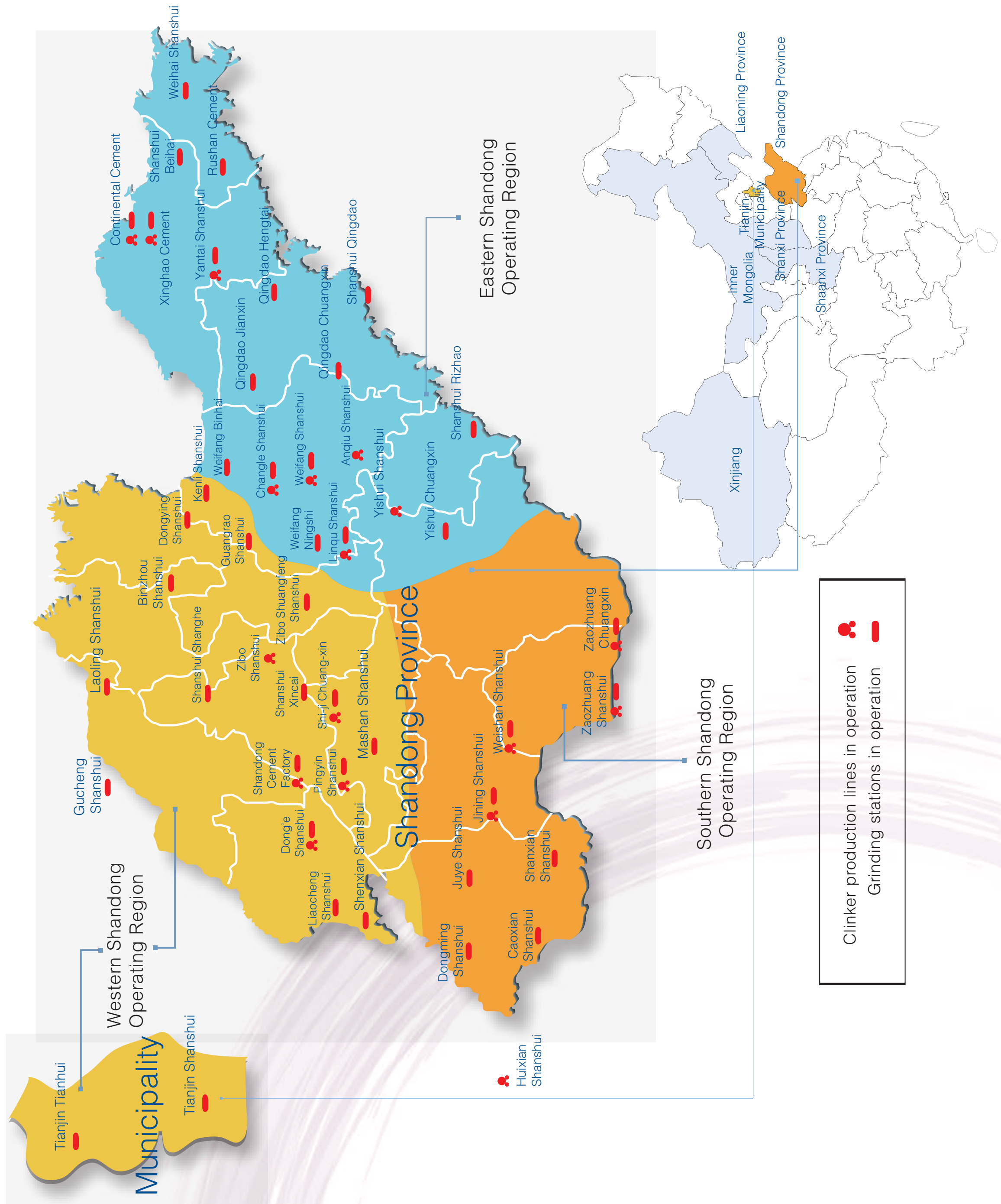
(3) DISTRIBUTION OF PRODUCTION FACILITIES AND CAPACITY

The Group's production facilities are principally located in Shandong Province, Liaoning Province, the Eastern Inner Mongolia, Shanxi Province, Shaanxi Province and Kashi region in Xinjiang Province. Its clinker production facilities are located near limestone mines serving cement grinding stations that are located in close proximity to the Group's end-markets and customers.

As of 31 December 2021, the total capacity of cement and clinker of the Group is listed below:

	Cement Capacity *('000 tonnes)*	**Clinker Capacity** *('000 tonnes)*
Shandong Region	51,470	25,928
Eastern Shandong Operating Region	23,910	11,752
Western Shandong Operating Region	20,033	7,936
Southern Shandong Operating Region	7,527	6,240
Shanxi Operating Region	12,070	8,640
Northeast China Operating Region	27,250	14,304
Xinjiang Operating Region	4,000	1,000
Total	94,790	50,472

Locations of major production facilities in Shandong Region as of 31 December 2021:



(IV) Corporate Profile (Continued)

Eastern Shandong Operating Region

Company Name	Principal Business
Anqiu Shanshui Cement Co., Ltd. ("Anqiu Shanshui")	Production and sales of cement and clinker
Changle Shanshui Cement Co., Ltd. ("Changle Shanshui")	Production and sales of cement, clinker and concrete
Continental (Shandong) Cement Corporation ("Continental Cement")	Production and sales of cement and clinker
Linqu Shanshui Building Material Aggregate Co., Ltd. ("Linqu Aggregate")	Production and sales of concrete aggregate
Linqu Shanshui Cement Co., Ltd. ("Linqu Shanshui")	Production and sales of cement and clinker
Qingdao Huading Building Material Co., Ltd. ("Huading Building Material")	Production and sales of concrete
Qingdao Huading New Building Material Co., Ltd. ("Huading New Building Material")	Production and sales of concrete
Qingdao Ji'an Concrete Co., Ltd. ("Qingdao Ji'an")	Production and sales of concrete
Qingdao Shanshui Chuangxin Cement Co., Ltd. ("Qingdao Chuangxin")	Production and sales of cement
Qingdao Shanshui Hengtai Cement Co., Ltd. ("Qingdao Hengtai")	Production and sales of cement and related products
Qingdao Shanshui Jianxin Cement Co., Ltd. ("Qingdao Jianxin")	Production and sales of cement
Weifang Binhai Shanshui Cement Co., Ltd. ("Weifang Binhai")	Production and sales of cement
Weifang City Leixin Concrete Co., Ltd. ("Weifang Leixin")	Production and sales of concrete
Weifang Ningshi Building Material Co., Ltd. ("Weifang Ningshi")	Production and sales of cement
Weifang Shanshui Cement Co., Ltd. ("Weifang Shanshui")	Production and sales of cement, limestone and concrete
Weifang Wanda Building Materials Co., Ltd. ("Weifang Wanda")	Production and sales of concrete
Weihai Shanshui Cement Co., Ltd. ("Weihai Shanshui")	Production and sales of cement and concrete
Yantai Shanshui Cement Co., Ltd. ("Yantai Shanshui")	Production and sales of cement
Yishui Chuangxin Shanshui Cement Co., Ltd. ("Yishui Chuangxin")	Production and sales of cement
Yishui Shanshui Cement Co., Ltd. ("Yishui Shanshui")	Production and sales of clinker and limestone
Rushan Shanshui Cement Co., Ltd. ("Rushan Shanshui")	Production and sales of cement
Shandong Runshengyuan Shanquan Water Co., Ltd. ("Runshengyuan")	Production and sales of drinking water
Xinghao Cement Co., Ltd. ("Xinghao Cement")	Production and sales of cement and clinker
Weifang Shanshui Lvzhu New Building Materials Co., Ltd. ("Lvzhu Building Materials")	Production and sales of building materials and related products
Qingdao Shanshui New Building Materials Co., Ltd. ("Qingdao Building Materials")	Production and sales of cement and related products

(IV) Corporate Profile (Continued)

Western Shandong Operating Region

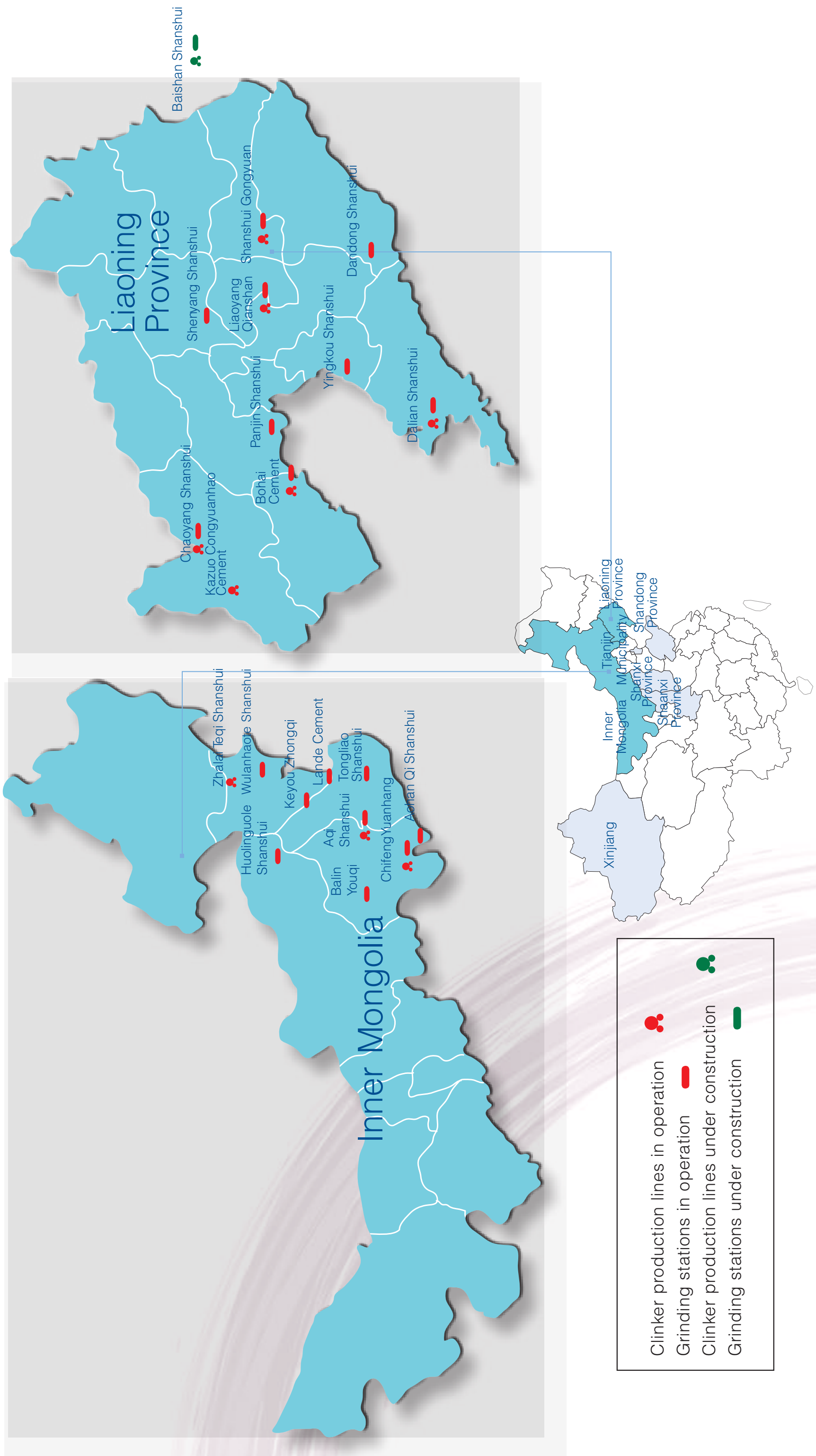
Company Name	Principal Business
Binzhou Shanshui Cement Co., Ltd. (“Binzhou Shanshui”)	Production and sales of cement
Dezhou Tianqi Concrete Co., Ltd. (“Dezhou Tianqi”)	Production and sales of concrete
Dezhou Zhucheng Concrete Co., Ltd. (“Dezhou Zhucheng”)	Production and sales of concrete
Dongying Shanshui Cement Co., Ltd. (“Dongying Shanshui”)	Production and sales of cement
Feicheng Shanshui Cement Co., Ltd. (“Feicheng Shanshui”)	Production and sales of cement
Feicheng Shanshui Concrete Co., Ltd. (“Feicheng Concrete”)	Production and sales of concrete
Guangrao Shanshui Cement Co., Ltd. (“Guangrao Shanshui”)	Production and sales of cement
Gucheng Shanshui Cement Co., Ltd. (“Gucheng Shanshui”)	Production and sales of cement
Jinan Shi-ji Chuang-xin Cement Co., Ltd. (“Shi-ji Chuang-xin”)	Production and sales of cement and related products
Kenli Shanshui Cement Co., Ltd. (“Kenli Shanshui”)	Production and sales of cement
Laoling Shanshui Cement Co., Ltd. (“Laoling Shanshui”)	Production and sales of cement and related products
Liaocheng Meijing Zhongyuan Cement Co., Ltd. (“Liaocheng Meijing”)	Production and sales of cement and clinker
Liaocheng Shanshui Cement Co., Ltd. (“Liaocheng Shanshui”)	Production and sales of cement and concrete
Pingyin Shanshui Cement Co., Ltd. (“Pingyin Shanshui”)	Production and sales of cement and clinker
Shandong Cement Factory Co., Ltd. (“Shandong Cement Factory”)	Production and sales of cement, concrete and limestone
Shandong Shanshui Building Materials Co., Ltd. (“Shandong Building Materials”)	Production and sales of building materials and related products
Shenxian Shanshui Cement Co., Ltd. (“Shenxian Shanshui”)	Production and sales of cement and related products
Tianjin City Tianhui Cement Co., Ltd. (“Tianjin Tianhui”)	Production and sales of cement and related products
Tianjin Shanshui Cement Co., Ltd. (“Tianjin Shanshui”)	Production and sales of cement
Zhoukou Shanshui Pipeline Co., Ltd. (“Zhoukou Shanshui”)	Production and sales of cement and related products
Zibo Shanshui Cement Co., Ltd. (“Zibo Shanshui”)	Production and sales of cement, clinker and limestone
Zibo Shuangfeng Shanshui Cement Co., Ltd. (“Zibo Shuangfeng”)	Production and sales of cement
Shanghe Shanshui Cement Co., Ltd. (“Shanghe Shanshui”)	Production and sales of cement
Zibo Shanshui Economic and Trading Co., Ltd. (“Zibo Economic and Trading”)	Sales of building materials and cement product
Pingyin Shanshui Building Materials Co., Ltd. (“Pingyin Building Materials”)	Production and sales of concrete

(IV) Corporate Profile (Continued)

Southern Shandong Operating Region

Company Name	Principal Business
Bengbu Shanshui Cement Co., Ltd. ("Bengbu Cement")	Establishment of cement production line
Bozhou Shanshui Cement Co., Ltd. ("Bozhou Cement")	Establishment of cement production line
Caoxian Shanshui Cement Co., Ltd. ("Caoxian Shanshui")	Production and sales of cement
Dongming Shanshui Cement Co., Ltd. ("Dongming Shanshui")	Production and sales of cement
Heze Fuyu Concrete Co., Ltd. ("Heze Fuyu")	Production and sales of concrete
Huixian City Shanshui Cement Co., Ltd. ("Huixian Shanshui")	Production and sales of cement and clinker
Jiaxiang Shanshui Aggregate Co., Ltd. ("Jiaxiang Aggregate")	Production and sales of concrete aggregate
Jining Shanshui Cement Co., Ltd. ("Jining Shanshui")	Production and sales of cement, clinker, concrete, limestone and related products
Juye Shanshui Cement Co., Ltd. ("Juye Shanshui")	Production and sales of cement
Shanxian Shanshui Cement Co., Ltd. ("Shanxian Shanshui")	Production and sales of cement
Weishan Shanshui Cement Co., Ltd. ("Weishan Shanshui")	Production and sales of cement and clinker
Zaozhuang Chuangxin Shanshui Cement Co., Ltd. ("Zaozhuang Chuangxin")	Production and sales of cement and clinker
Zaozhuang Shanshui Cement Co., Ltd. ("Zaozhuang Shanshui")	Production and sales of cement and clinker

Locations of major production facilities in Northeast China Operating Region as of 31 December 2021:

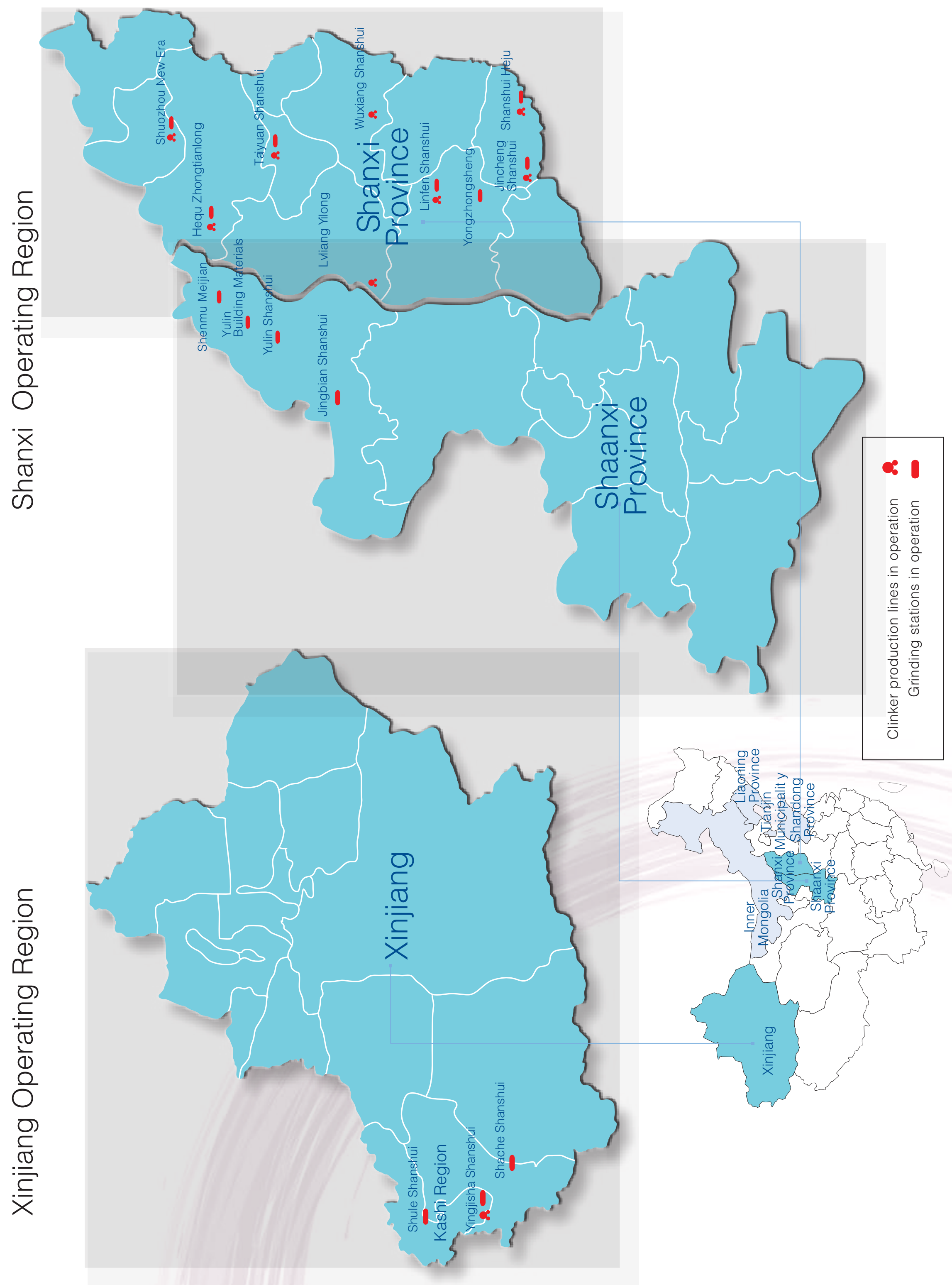


(IV) Corporate Profile (Continued)

Northeast China Operating Region

Company Name	Principal Business
Alu Kerqin Qi Shanshui Cement Co., Ltd. (“Aqi Shanshui”)	Production and sales of cement and clinker
Aohan Qi Shanshui Cement Co., Ltd. (“Aohan Shanshui”)	Production and sales of cement and related products
Baishan Shanshui Cement Co., Ltd. (“Baishan Shanshui”)	Production and sales of cement and related products
Balinyou Qi Shanshui Cement Co., Ltd. (“Balinyou Shanshui”)	Production and sales of cement
Benxi Shanshui Mining Co., Ltd. (“Benxi Mining”)	Mining and sales of limestone
Benxi Shanshui Shiye Co., Ltd. (“Benxi Shiye”)	Installation and maintenance of equipment and spare parts of cement machines
Bohai Cement (Huludao) Co., Ltd. (“Bohai Cement”)	Production and sales of cement, clinker and related products
Bohai Cement (Jinzhou) Co., Ltd. (“Jinzhou Cement”)	Production and sales of cement, concrete and related products
Chaoyang Shanshui Dongxin Cement Co., Ltd. (“Chaoyang Dongxin”)	Production and sales of cement
Chifeng Shanshui Yuanhang Cement Company Limited (“Chifeng Yuanhang”)	Production and sales of cement and related products
Dalian Shanshui Cement Co., Ltd. (“Dalian Shanshui”)	Production and sales of cement, clinker and related products
Dandong Shanshui Gongyuan Cement Co., Ltd. (“Dandong Shanshui”)	Production and sales of cement
Huludao Bohai Railway Co., Ltd. (“Bohai Railway”)	Development and maintenance of special railway-lines, wash and repair of steam locomotive
Huolin Guole Shanshui Cement Co., Ltd. (“Huolinguole Shanshui”)	Production and sales of cement
Kazuo Congyuanhao Cement Co., Ltd. (“Kazuo Congyuanhao Cement”)	Production and sales of cement and clinker
Keyouzhong Qi Shanshui Cement Co., Ltd. (“Keyouzhong Qi”)	Production and sales of cement
Liaoning Shanshui Gongyuan Cement Co., Ltd. (“Liaoning Gongyuan”)	Production and sales of cement and related products
Liaoyang Qianshan Cement Co., Ltd. (“Liaoyang Qianshan”)	Production and sales of cement and clinker
Panjin Shanshui Cement Co., Ltd. (“Panjin Shanshui”)	Production and sales of cement
Shenyang Shanshui Gongyuan Cement Co., Ltd. (“Shenyang Shanshui”)	Production and sales of cement
Tongliao Shanshui Gongyuan Cement Co., Ltd. (“Tongliao Gongyuan”)	Production and sales of cement
Wulanhaote Shanshui Cement Co., Ltd. (“Wulanhaote”)	Production and sales of cement
Yingkou Shanshui Cement Co., Ltd. (“Yingkou Shanshui”)	Production and sales of cement
Zhalaite Qi Shanshui Cement Co., Ltd. (“Zhalaite Qi Shanshui”)	Production and sales of cement
Dalian Heyuan Investment Management Co., Ltd. (“Dalian Heyuan”)	Project investment and management
Huludao Yangjiazhangzi Economic Development Zone Shanshui Building Materials Co., Ltd. (“Huludao Building Materials”)	Production and sales of limestone

Locations of major production facilities in Shanxi and Xinjiang Operating Regions as of 31 December 2021:



(IV) Corporate Profile (Continued)

Shanxi Operating Region

Company Name	Principal Business
Hequ Zhongtianlong Cement Co., Ltd. (“Hequ Zhongtianlong”)	Production and sales of cement and clinker
Jincheng Shanshui Cement Co., Ltd. (“Jincheng Shanshui”)	Production and sales of cement and clinker
Jincheng Shanshui Heju Cement Co., Ltd. (“Shanshui Heju”)	Production and sales of cement and clinker
Jingbian Xian Shanshui Cement Co., Ltd. (“Jingbian Shanshui”)	Production and sales of cement
Linfen Shanshui Cement Co., Ltd. (“Linfen Shanshui”)	Production and sales of cement and clinker
Lvliang Yilong Cement Co., Ltd. (“Lvliang Yilong”)	Production and sales of cement and clinker
Shanxi Shanshui Cement Co., Ltd. (“Shanxi Shanshui”)	Production and sales of cement and related products
Shanxi Yongzhongsheng Environmental Building Material Co., Ltd. (“Yongzhongsheng”)	Production and sales of cement
Shenmu Xian Meijian Cement Co., Ltd. (“Shenmu Meijian”)	Production and sales of cement
Shuozhou Shanshui New Era Cement Co., Ltd. (“Shuozhou New Era”)	Production and sales of cement and related products
Taiyuan Shanshui Cement Co., Ltd. (“Taiyuan Shanshui”)	Production and sales of cement
Wuxiang Shanshui Cement Co., Ltd. (“Wuxiang Shanshui”)	Production and sales of cement and clinker
Yulin Shanshui Cement Co., Ltd. (“Yulin Shanshui”)	Production and sales of cement and related products
Yulin Shanshui Environmental Building Materials Co., Ltd. (“Yulin Building Materials”)	Production and sales of cement and related products
Yangqu Zhongyu Building Materials Co., Ltd. (“Zhongyu Building Materials”)	Production and sales of concrete aggregate
Taiyuan Guangsha Cement Co., Ltd. (“Taiyuan Guangsha”)	Production and sales of concrete aggregate
Xinzhou Shanshui Environmental Protection Technology Materials Co., Ltd. (“Xinzhou Environmental Protection”)	Production and sales of clinker

(IV) Corporate Profile (Continued)

Xinjiang Operating Region

Company Name	Principal Business
Kashi Shanshui Cement Co., Ltd. ("Kashi Shanshui")	Production and sales of cement
Kezhou Shanshui Materials Trading Co., Ltd. ("Kezhou Shanshui")	Logistic service and sales of cement and ores
Shache Shanshui Cement Co., Ltd. ("Shache Shanshui")	Production and sales of cement and concrete
Shule Shanshui Cement Co., Ltd. ("Shule Shanshui")	Production and sales of cement and concrete
Yingjisha Shanshui Cement Co., Ltd. ("Yingjisha Shanshui")	Production and sales of cement, clinker and concrete

Others

Company Name	Principal Business
Jinan Shanshui Wuliugang Co., Ltd. ("Wuliugang")	Sales of coal and product; sales of metal parts and instrumentation equipment
Shandong Shanshui Heavy Industries Co., Ltd. ("Shanshui Heavy Industries")	Installment and repair of equipment, and production and sales of cement component parts
Shandong Shanshui Cement Group International Trading Co., Ltd. ("International Trading")	Sales, import and export and trade consultation of cement product and equipment
Shandong Shanshui Cement Industrial Design Development Co., Ltd. ("Design Development")	Development and sales of machinery and electronics, management of construction project and technical consultation

(V) Management Discussion and Analysis

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW

In 2021, in the face of the complicated domestic and international situation and various risks and challenges, the Chinese government has taken a holistic approach to and kept calm in dealing with the situation. Through the efforts of all parties from the nation, China has maintained its leading position in the world in terms of economic development and COVID-19 pandemic prevention and control, the overall national economy has been operating within a reasonable range, the major development targets for the year have been accomplished, the construction of a new development pattern has taken new steps; new results have been achieved in quality development, and the 14th Five-Year Plan has made a good start.

According to preliminary calculation, in 2021, China's GDP was RMB114,367.0 billion, representing a YOY increase of 8.1%. The investment in fixed assets (excluding rural households) across the country was RMB54,454.7 billion, representing a YOY increase of 4.9%. Nationwide investment in real estate development was RMB14,760.2 billion, representing a YOY growth of 4.4%. Investments were recovering generally in 2021. ***(Source: National Bureau of Statistics)***

In 2021, the cement industry endured an important test, with both supply and demand flourishing in the first half of the year, and the booming situation was generally continuing. However, with the concentration of land supply and other policy regulation in the real estate sector, the growth rate of new construction was declining, and the fundamentals of the sector were hit by continuous exogenous factors, the boom of the cement industry continued to decline, and the growth rate of results also reached a low point. In September, the National Development and Reform Commission issued the Plan for Improving the System of Dual Control over Energy Consumption Intensity and Total Consumption (《完善能源消費強度和總量雙控制度方案》), power rationing policy led to a significant increase in upstream coal prices, resulting in a rapid rise in cement prices in China, which reached a peak in October. Subsequently, relevant policies were introduced to curb the rise in coal prices and cement prices fell in November to December. In the second half of the year, cement prices rose to a high level as the supply side faced dual control over energy consumption (namely, control over total energy consumption and energy consumption intensity), coupled with power rationing and production curtailment and soaring coal prices, while demand weakened and cement production fell at an increasing rate. In 2021, China's cumulative cement production was 2.363 billion tonnes, representing a YOY decrease of 1.2%. In December, China's cement output was 191 million tonnes, representing a YOY decrease of 11.1%. In 2021, the average national cement market price was RMB 486 per tonne, representing an increase of 10.7% as compared with 2020. Against a backdrop of significant increase in production costs and shrinking supply, cement prices moved upwards to a record high as a whole. Throughout the year, cement prices showed a "downward first and then upward" trend. ***(Source: Digital Cement)***

2. OPERATIONS OVERVIEW

In 2021, the Group was committed to refining fundamental internal management to enhance the quality of existing production and operation and to sustain its profitability. As at 31 December 2021, the Group had a total production capacity of 94.790 million tonnes of cement, 50.472 million tonnes of clinker and 17.100 million cubic meters of concrete. During the Reporting Period, the Group's sales volume of cement was 55.832 million tonnes, representing a YOY increase of 8.9%; sales volume of clinker was 8.362 million tonnes, representing a YOY decrease of 3.9%; sales volume of concrete was 3.553 million cubic meters, representing a YOY increase of 26.4%; sales revenue was RMB24,659,544,000, representing a YOY increase of 18.0%; and the profit for the period was RMB2,894,847,000, representing a YOY decrease of 11.6%.

(I) Business review

(a) Sales revenue analysis and the respective YOY changes

(Unit: RMB'000)

Product	**2021** Sales revenue	Sales proportion	2020 Sales revenue	Sales proportion	Change in sales revenue
Cement	**20,137,864**	**81.7%**	16,847,525	80.6%	19.5%
Clinker	**2,381,060**	**9.7%**	2,282,506	10.9%	4.3%
Concrete	**1,509,257**	**6.1%**	1,270,932	6.1%	18.8%
Others	**631,363**	**2.5%**	490,491	2.4%	28.7%
Total	**24,659,544**	**100%**	20,891,454	100%	18.0%

During the Reporting Period, the Group's revenue increased by 18.0% to RMB24,659,544,000. Revenue from cement amounted to RMB20,137,864,000, representing a YOY increase of 19.5%. Revenue from clinker amounted to RMB2,381,060,000, representing a YOY increase of 4.3%. Revenue from concrete amounted to RMB1,509,257,000 representing a YOY increase of 18.8%. The increase in revenue was mainly attributable to the increase in sales volume and average selling price of cement for the year.

2. OPERATIONS OVERVIEW (CONTINUED)

(I) Business review (Continued)

(b) Sales volume, unit selling prices and their respective YOY changes

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

Product	**2021 Sales volume *('000 tonnes)***	2020 Sales volume *('000 tonnes)*	Sales volume change	**2021 Unit selling price *(RMB/ tonne)***	2020 Unit selling price *(RMB/ tonne)*	Selling price change
Cement	**55,832**	51,250	8.9%	**362.0**	330.7	9.5%
Clinker	**8,362**	8,699	-3.9%	**286.4**	263.9	8.5%
	('000 m³)	*('000 m³)*		***(RMB/m3)***	*(RMB/m³)*	
Concrete	**3,553**	2,812	26.4%	**427.2**	454.6	-6.0%

2. OPERATIONS OVERVIEW (CONTINUED)

(I) Business review (Continued)

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

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

During the Reporting Period, the sales volume of cement of the Group amounted to 55.832 million tonnes, representing a YOY increase of 8.9%, while the sales volume of commercial clinker amounted to 8.362 million tonnes, representing a YOY decrease of 3.9%. The unit selling price of cement increased by 9.5% to RMB362.0 per tonne, while the unit selling price of clinker increased by 8.5% to RMB286.4 per tonne. The sales volume of concrete amounted to 3.553 million cubic meters, representing a YOY increase of 26.4%. The unit selling price of concrete decreased by 6.0% to RMB427.2/m^3.

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

Operating regions	**Average unit selling price in 2021 *(RMB/tonne)***	Average unit selling price in 2020 *(RMB/tonne)*	Change in selling price
Shandong Region	**390.2**	376.3	3.7%
Eastern Shandong Operating Region	**405.6**	381.4	6.3%
Western Shandong Operating Region	**385.5**	380.7	1.3%
Southern Shandong Operating Region	**367.3**	360.8	1.8%
Northeast China Operating Region	**319.3**	256.5	24.5%
Shanxi Operating Region	**290.6**	274.3	5.9%
Xinjiang Operating Region	**455.0**	468.3	-2.8%

2. OPERATIONS OVERVIEW (CONTINUED)

(I) Business review (Continued)

(b) 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 RMB390.2 per tonne, representing a YOY increase of 3.7%; the average unit selling price of cement in Eastern Shandong Operating Region was RMB405.6 per tonne, representing a YOY increase of 6.3%; the average unit selling price of cement in Western Shandong Operating Region was RMB385.5 per tonne, representing a YOY increase of 1.3%; the average unit selling price of cement in Southern Shandong Operating Region was RMB367.3 per tonne, representing a YOY increase of 1.8%; the average unit selling price of cement in Northeast China Operating Region was RMB319.3 per tonne, representing a YOY increase of 24.5%; the average unit selling price of cement in Shanxi Operating Region was RMB290.6 per tonne, representing a YOY increase of 5.9%; the average unit selling price of cement in Xinjiang Operating Region was RMB455.0 per tonne, representing a YOY decrease of 2.8%.

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

Product	**2021** Sales volume (*'000 tonnes*)	**2021** Sales proportion	2020 Sales volume (*'000 tonnes*)	2020 Sales proportion	Change in sales volume
High grade cement	**52,099**	**93.3%**	45,385	88.6%	14.8%
Low grade cement	**3,733**	**6.7%**	5,865	11.4%	-36.4%

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

During the Reporting Period, sales volume of high grade cement was 52.099 million tonnes, representing a YOY increase of 14.8%, and sales volume of low grade cement was 3.733 million tonnes, representing a YOY decrease of 36.4%.

2. OPERATIONS OVERVIEW (CONTINUED)

(I) Business review (Continued)

(c) Analysis of sales revenue by operating regions and their respective changes

(Unit: RMB'000)

Operating region	2021 Sales revenue	2021 Sales proportion	2020 Sales revenue	2020 Sales proportion	Change in sales revenue
Shandong Region	**15,900,485**	**64.5%**	13,512,053	64.7%	17.7%
Eastern Shandong Operating Region	**6,971,213**	**28.3%**	5,870,627	28.1%	18.7%
Western Shandong Operating Region	**5,923,293**	**24.0%**	4,888,297	23.4%	21.2%
Southern Shandong Operating Region	**3,005,979**	**12.2%**	2,753,129	13.2%	9.2%
Northeast China Operating Region	**5,249,555**	**21.3%**	4,362,344	20.9%	20.3%
Shanxi Operating Region	**2,907,607**	**11.8%**	2,527,008	12.1%	15.1%
Xinjiang Operating Region	**601,897**	**2.4%**	490,049	2.3%	22.8%
Total	**24,659,544**	**100%**	20,891,454	100%	18.0%

During the Reporting Period, the sales revenue in Shandong Region was RMB15,900,485,000, accounting for 64.5% of the Group's total sales revenue and representing a YOY increase of 17.7%; the sales revenue in Eastern Shandong Operating Region was RMB6,971,213,000, accounting for 28.3% of the Group's total sales revenue and representing a YOY increase of 18.7%; the sales revenue in Western Shandong Operating Region was RMB5,923,293,000, accounting for 24.0% of the Group's total sales revenue and representing a YOY increase of 21.2%; the sales revenue in Southern Shandong Operating Region was RMB3,005,979,000, accounting for 12.2% of the Group's total sales revenue and representing a YOY increase of 9.2%; the sales revenue in Northeast China Operating Region was RMB5,249,555,000, accounting for 21.3% of the Group's total sales revenue and representing a YOY increase of 20.3%; the sales revenue in Shanxi Operating Region was RMB2,907,607,000, accounting for 11.8% of the Group's total sales revenue and representing a YOY increase of 15.1%; the sales revenue in Xinjiang Operating Region was RMB601,897,000, accounting for 2.4% of the Group's total sales revenue and representing a YOY increase of 22.8%.

2. OPERATIONS OVERVIEW (CONTINUED)

(II) Profit analysis

(a) Changes in key profit and loss items

(Unit: RMB'000)

	2021	2020	Change
Revenue	**24,659,544**	20,891,454	18.0%
Gross profit	**7,259,549**	6,964,665	4.2%
EBITDA	**5,661,424**	6,182,307	-8.4%
Profit from operations	**4,198,280**	4,659,112	-9.9%
Profit before taxation	**4,004,183**	4,333,590	-7.6%
Net profit for the year	**2,894,847**	3,274,390	-11.6%
Profit attributable to equity shareholders of the Company	**2,777,298**	3,186,993	-12.9%

During the Reporting Period, the Group recorded sales revenue of RMB24,659,544,000, representing a YOY increase of 18.0%; profit from operations was RMB4,198,280,000; net profit for the year was RMB2,894,847,000, representing a YOY decrease of 11.6%; profit attributable to equity shareholders of the Company was RMB2,777,298,000. The decrease in profit was mainly due to the increase in operating costs, provision for impairment losses and the recognition of the losses on the change of fair value of the derivative component of convertible bonds.

2. OPERATIONS OVERVIEW (CONTINUED)

(II) Profit analysis (Continued)

(b) Comparison analysis of the proportion of cost of sales to revenue

(Unit: RMB'000)

Cost of sales	**2021** Amount	**2021** Proportion to revenue	2020 Amount	2020 Proportion to revenue	Change of proportion to revenue
Raw materials	**6,327,215**	**25.7%**	5,471,127	26.2%	-0.5 P.Pt.
Coal	**5,407,727**	**21.9%**	3,198,482	15.3%	6.6 P.Pt.
Power	**1,449,589**	**5.9%**	1,367,049	6.5%	-0.6 P.Pt.
Depreciation and amortisation	**907,724**	**3.7%**	1,042,380	5.0%	-1.3 P.Pt.
Others	**3,307,740**	**13.4%**	2,847,752	13.6%	-0.2 P.Pt.
Total cost of sales	**17,399,995**	**70.6%**	13,926,789	66.7%	3.9 P.Pt.

During the Reporting Period, the proportion of the Group's total cost of sales to revenue was 70.6%, representing a YOY increase of 3.9 percentage points. In particular, the proportion of, cost of coal increased by 6.6 percentage points, raw material costs, power costs, depreciation and cost of amortisation and other costs decreased by 0.5, 0.6, 1.3 and 0.2 percentage points, respectively.

The YOY increase in raw materials cost was mainly attributed to the increase of cement and clinker output and the increase in prices of limestone, slag powder and fly ash. In 2021, the average purchase price of coal increased by approximately 70.2% to RMB1,030.5/ton compared with the previous year (RMB605.4/ton). The YOY increase in cost of electricity was mainly due to the increase in production for the year. YOY decrease in depreciation and amortisation costs was mainly ascribed to decrease in carrying amounts of fixed assets and intangible assets due to disposal and impairment during the year. Others increased compared with the previous year, mainly due to the decrease in labor cost as a result of the COVID-19 pandemic related government assistance received by the Group in the previous year, however, during the year, the contribution to social insurance scheme was paid on normal basis and, in addition, maintenance costs increased.

3. FINANCIAL REVIEW

(a) Expenses during the period

(Unit: RMB'000)

	2021		2020		Proportion
		Proportion		Proportion	to sales
		to sales		to sales	revenue
	Amount	**revenue**	Amount	revenue	change
Selling and marketing expenses	**809,858**	**3.3%**	681,168	3.3%	0.0 P.Pt.
Administrative expenses	**1,472,882**	**6.0%**	1,358,311	6.5%	-0.5 P.Pt.
Finance costs	**231,734**	**0.9%**	347,110	1.7%	-0.8 P.Pt.
Total	**2,514,474**	**10.2%**	2,386,589	11.4%	-1.2 P.Pt.

During the Reporting Period, the proportion of selling and marketing expenses to sales revenue is at the same level as the previous year; the proportion of administrative expenses to sales revenue has a YOY decrease of 0.5 percentage points; the proportion of finance costs to sales revenue has a YOY decrease of 0.8 percentage points.

The YOY increase in selling and marketing expenses was mainly due to the increase of transportation costs and selling service fee resulting from the increase of sales volume for the year. Administrative expenses increased as compared with the previous year, mainly due to the decrease in expenses of travelling and business entertainment resulting from the impact of the COVID-19 outbreak in previous year, the low base amount of social insurance in the previous year under the relevant relief measures by the government, while social insurance was paid on normal basis for this year; and the increase in business entertainment expenses as a result of the business expansion and development. The decrease of finance expenses was mainly due to lower interest expenses as compared with the previous year resulting from the full repayment of bonds.

3. FINANCIAL REVIEW (CONTINUED)

(b) Changes in balance sheet items

(Unit: RMB'000)

	31 December 2021	31 December 2020	Change
Non-current assets	**21,177,204**	20,499,061	3.3%
Current assets	**7,786,483**	7,178,382	8.5%
Total assets	**28,963,687**	27,677,443	4.6%
Non-current liabilities	**866,663**	1,955,931	-55.7%
Current liabilities	**9,343,142**	9,839,495	-5.0%
Total liabilities	**10,209,805**	11,795,426	-13.4%
Non-controlling interest	**265,648**	179,219	48.2%
Equity attributable to equity shareholders of the Company	**18,488,234**	15,702,798	17.7%
Total liabilities and equity	**28,963,687**	27,677,443	4.6%
Net gearing ratio	**5.6%**	13.9%	-8.3p.pt

As at 31 December 2021, the Group's total assets were RMB28,963,687,000, total liabilities were RMB10,209,805,000 and its net assets were RMB18,753,882,000. The net gearing ratio (net debt divided by the aggregate of net debt and equity of the Company) was 5.6%, representing a decrease of 8.3 percentage points as compared with the previous year. The Group's total current assets were RMB7,786,483,000 its total current liabilities were RMB9,343,142,000, and its net current liabilities were RMB1,556,659,000. In previous years, the Group negotiated with holders of its borrowings to restructure the repayment terms. For details, please refer to Notes 24 to 26 to the Financial Statements.

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

3. FINANCIAL REVIEW (CONTINUED)

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

(Unit: RMB'000)

Term of borrowings	31 December 2021	31 December 2020
Short-term borrowings (including long-term borrowings with maturity within one year)	**2,393,659**	2,739,921
Long-term borrowings	**135,000**	1,232,909
Total	**2,528,659**	3,972,830

All borrowings of the Group were denominated in Renminbi and USD. As at 31 December 2021, the Group's only remaining borrowings were borrowings denominated in Renminbi, the total of which were RMB2,528,659,000, representing a decrease of RMB1,444,171,000 as compared with the end of 2020. In particular, short-term borrowings amounted to RMB2,393,659,000 and accounted for 94.7% of the Group's total borrowings.

For details in relation to the total borrowings of the Company and its interest rates, please refer to the relevant explanation in Notes 24 to 26 and 31 to the Financial Statements.

(d) Capital expenditures

During the Reporting Period, capital expenditures were approximately RMB2,260,269,000, which were mainly used as investment in the new construction and technical transformation of intelligent production, mine resource reserves, cement and clinker production lines.

Outstanding capital commitments under production facility construction contracts and the equipment purchase contracts not provided for in the financial statements as at 31 December 2021 were:

(Unit: RMB'000)

	31 December 2021	31 December 2020
Authorised and contracted for — plant and equipment	**1,061,592**	765,849
Authorised but not contracted for — plant and equipment	**1,093,965**	1,268,803
Total	**2,155,557**	2,034,652

As at 31 December 2021, the capital commitments authorised and contracted for by the Group amounted to RMB1,061,592,000, which represents an increase of RMB295,743,000 or 38.6% as compared with the end of 2020. Capital commitments authorised but not contracted for amounted to RMB1,093,965,000.

3. FINANCIAL REVIEW (CONTINUED)

(e) Net cash flow analysis

(Unit: RMB'000)

	2021	2020
Net cash flow generated from operating activities	**3,553,072**	3,509,672
Net cash flow used in investing activities	**(2,097,184)**	(1,325,379)
Net cash flow used in financing activities	**(1,439,860)**	(2,135,273)
Net changes in cash and cash equivalents	**16,028**	49,020
Balance of cash and cash equivalents at 1 January	**1,401,233**	1,364,054
Effect of foreign exchange rate changes	**5,910**	(11,841)
Balance of cash and cash equivalents at 31 December	**1,423,171**	1,401,233

Cash and cash equivalent of the Group is mainly denominated in Renminbi.

Net cash generated from operating activities

During the Reporting Period, the Group recorded a net cash generated from operating activities of RMB3,553,072,000, representing a YOY increase of RMB43,400,000, mainly due to the increase in revenue from operations resulting from the increase in sales volume of cement and average selling price of the products for the year.

Net cash used in investing activities

During the Reporting Period, the Group recorded a net cash used in investing activities of RMB2,097,184,000, representing a YOY increase of RMB771,805,000, mainly due to the increase in capital expenditure on intelligent production, construction of new production lines and technological transformation within the Group during the year.

Net cash used in financing activities

During the Reporting Period, the Group recorded a net cash used in financing activities of RMB1,439,860,000, representing a YOY decrease of RMB695,413,000, mainly due to the decrease in the net effect of cash outflow from early repayment of short-term financing bills and medium-term notes and repayment of convertible bonds on maturity for the year as compared with the previous year.

3. FINANCIAL REVIEW (CONTINUED)

(f) Material acquisition and disposal by subsidiaries and affiliated companies

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

(g) Pledge of assets

Details in relation to pledge of assets of the Group as at 31 December 2021 are set out in Note 24 to the Financial Statements.

(h) Contingent liabilities

Details in relation to contingent liabilities of the Group as at 31 December 2021 are set out in Note 38 to the Financial Statements.

3. FINANCIAL REVIEW (CONTINUED)

(i) Use of Proceeds from the Issue of Convertible Bonds in 2018

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

The original intended use of proceeds as set out in the Convertible Bonds Announcements and the actual use of proceeds up to 31 December 2021 are set out below:

Unit: US$ million

Intended use of proceeds	Intended allocation of net proceeds from issuance of the Convertible Bonds	Unutilized amount as at 31 December 2019 and brought forward to 1 January 2020	Amount utilised from 1 January 2020 to 31 December 2020	Unutilized amount as at 31 December 2020 and brought forward to 1 January 2021	Amount utilised from 1 January 2021 to 31 December '2021	Unutilized amount as at 31 December 2021	Expected timeline for utilising the unutilised amount
First 2018 Convertible Bonds							
(i) redemption of the US$500,000,000 75% senior notes due 2020 issued by the Company (stock code: 5880) (the "**2020 Notes**")	210.9	–	–	–	–	–	N/A
Second 2018 Convertible Bonds							
(i) redemption of the 2020 Notes	233.3	–	–	–	–	–	N/A
(ii) general corporate use	87.4	56.6	7.3	49.3	3.9	45.4	On or before 31 December 2023
Total	531.6	56.6	7.3	49.3	3.9	45.4	

3. FINANCIAL REVIEW (CONTINUED)

(i) Use of Proceeds from the Issue of Convertible Bonds in 2018 (Continued)

As at 31 December 2021, the proceeds from the issue of the Convertible Bonds have not been fully utilized, and the remaining amounts will be used for general corporate use according to the original intended use as stated in the Convertible Bonds Announcements. Further, as stated in the announcement of the Company dated 17 September 2019 in relation to the validation order, the dispositions of property and payments made by the Company in the ordinary course of business are limited to US$2 million in each calendar month.

(j) Management of foreign exchange exposure

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

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

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

4. FINANCIAL REPORTING AND CORPORATE ACCOUNTING POLICY

The Board, supported by the Head of Finance and the finance department, is responsible for the preparation of the financial statements of the Company and the Group. In the preparation of financial statements, the Company has adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB), whose collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the IASB since its listing date.

5. OUTLOOK FOR 2022

(a) Operating environment outlook

In 2022, it is expected that cement demand will remain in the plateau period with steadiness in general with a steady decline. Meanwhile, in the context of policy influences, low carbon requirements, limits on energy utilization and weakness in supplies, the total production capacity will continued to be restricted. The prices in the mainstream markets are expected to stay strong, and the industrial benefits may remain stable.

From the perspective of demand: In 2022, cement demand will remain stable in general with a steady decline. The national government clearly highlighted the work for the 2022 economy, which will strengthen inter-cyclical adjustments of macro policies, support new infrastructure construction for high-quality development in order to promote the soft landing of real estate. It also highlighted the enhancement of building of basic-need housing and the better support of commercial housing market to meet the reasonable housing demand of home buyers, thus to promote the healthy development and effective recycling for real estate. The infrastructure construction investment plan for 2022 is expected to be laid out in advance to promote the rebound in cement demand and the marginal easing in real estate policies. However, considering that the demand in infrastructure construction sector is unable to cover the losses incurred from the cement demand in real estate sector, it is expected that the demand for the year will remain stable with a steady decline, with a decline of approximately 2%-3%, and the year-on-year growth rate in cement demand for the year will show the characteristics of first declining and then rising, a gradual increase from a low level at the beginning.

From the perspective of supply: Environmental protection and low carbon are expected to remain the momentum of “on-going rise”, and factors such as “Normalization of Staggered Peak Production”, “Carbon Peaking”, and “Power Curtailment” produce a clear restriction on the compression of cement supply. Moreover, the government has imposed strict control on the new projects, Including cement, of “high pollution and high energy-consuming” by further optimizing capacity structure, for which energy saving and efficiency enhancement will leap ahead.

From the perspective of prices and benefits: In 2022, industrial benefit level will continue to remain stable, mainstream market prices are expected to remain radical adjustment trend at high level. Under the premise of conscientiously implementing the industrial policy of capacity reduction and replacement and normalized staggered peak production arrangements, the improvement of industrial concentration, the extent of the cement industry chain and the strengthening of industrial supply chain, with policy back-ups and the confidence of leaders from large enterprises, in our opinion, the economic benefits will maintain a steady growth in the whole industry in 2022.

5. OUTLOOK FOR 2022 (CONTINUED)

(a) Operating environment outlook (Continued)

Risks and challenges for the cement industry for 2022

1. Overcapacity remains and resolving overcapacity is under heavy pressure

According to the statistics of Information and Research Center of China Cement Association, in 2021, the cement clinker capacity utilization rate stood at 74%, and overcapacity remains the main problem for the cement industry. The upsurge in cement inventories is driven by the obvious weakening of cement demand, full utilization of capacity and abundant supply in the second and third quarters of 2021. The cement prices in most areas of southern mainstream market declined rapidly, with factory prices falling below RMB300/ton in some areas in succession, showing a critical landscape in industrial operation, as elucidated by the highlighted problems in overcapacity once cement production cannot operate in full capacity with demand contraction. There are still urgent problems to be solved in the industry in terms of overcapacity, slow withdrawal of inefficient production capacity, the low proportion of advanced production capacity.

2. The implementation of the "dual carbon" policy will have a significant impact on the cement industry

With the ongoing promotion of national "dual carbon" work, the cement industry will be prompted to enter a comprehensive high-quality development stage featuring low-carbon greenness, by way of promoting industrial upgrading and reform, advancing the industry to save energy and reduce carbon. The withdrawal of inefficient cement production capacity will highlight the competing advantage of high-quality capacity enterprises and the leading enterprises in the industry. It is expected to further improve the industry concentration through mergers and acquisitions. The promotion of "dual carbon" will extend the industrial chain of cement enterprises with the advancement of collaborative disposal, intelligence of and layout of new energy in the industry as a result, and also, inevitably, push up the integrated costs of cement enterprises.

The Company will need to invest more in carbon reduction technology innovation and construct a synergy mechanism for carbon emission reduction in the industry. The Company will need to pick up the pace of carbon peak emissions in advance in the industry by completing production capacity and production output under the carbon quota target as well as researching and actively participating in the carbon trading market.

5. OUTLOOK FOR 2022 (CONTINUED)

(a) Operating environment outlook (Continued)

Risks and challenges for the cement industry for 2022 (Continued)

3. The steady ongoing growth of efficiency faces challenges resulting from the weakening demand and increase of costs

In 2022, the global economic landscape remains complex as evidenced by the existence of domestic economic pressure and risks. In cement demand, the industry should be prepared to confront with a larger decline. The Company will deal with market risks by strengthening the normalized staggered peak production arrangements, adjusting supply dynamic balances, improving industry self-discipline and integrity, relying on the market initiative of large enterprise groups, giving full play to the coordination and service capabilities of provincial associations, and effectively controlling overcapacity at the supply side with the help of energy dual control and the policy of reduction of pollutants and carbon emissions.

The cement industry is of an energy-dependent nature, and the sharp increases in coal and electricity prices will significantly increase the cost of cement production. Meanwhile, energy consumption, safety and environmental protection requirements continue to improve, resulting in ongoing investment in technological innovation that causes enterprises to increase the cost of various elements of production, which will pose a challenge to the steady growth of cement industry efficiency. The betterments of the establishment of China's cement market, entrepreneurs being more and more rational and the service capacity of the industry associations being stronger and stronger are favorable conditions for resolving the development risks and challenges facing the industry.

(Sources: analysis of the economic operation of China cement in 2021 and outlook for year 2022, Digital Cement)

5. OUTLOOK FOR 2022 (CONTINUED)

(b) Business outlook of the Company

From the perspective of industry development, the contradiction between the urgent need in enhancing the proportion of advanced production capacity and the total production capacity remaining in serious redundancy is still the main contradiction of the current cement industry with the tasks of supply-side structural reform becoming increasingly difficult. Meanwhile, with the "Dual Control of Energy Consumption" and "Dual Carbon" policy becoming tighter, the enhancement of green and low carbon transformation development is facing enormous challenges. However, with the increasing improvement of the normalized staggered peak production arrangements mechanism and the significant increase in the concentration of production capacity, the ecology of the industry continues to improve. The country and provinces are promoting the governance of "high pollution and high energy-consuming" projects, conversing the old one into new drivers, and increasing the efforts to reduce outdated capacity, which are conducive to improving the contradiction between supply and demand in the market. Meanwhile, the introduction of national policies such as the circling economy has provided an important lever for the green and low-carbon sustainable development of the cement industry.

From the perspective of enterprises: the dual control of energy consumption is increasingly strict and the pioneering practices of the exploration and the use of alternative energy are insufficient with raw inflammable material costs held under heavy pressure. The key projects in some areas are completed in succession but the tasks of new market exploitation remain arduous. However, alongside with the in-depth enhancement of the reform of grate coolers and the technical transformation of separate grinding, the normalized operation of Baishan Company, and Changle, Anqiu, and Shanghe and other key projects that is placed into production and the successive completion of key projects such as Pingyin Line 3#, "retreating from the city to the park" of Chifeng, the drivers of development will be more robust.

The main working directions for 2022 are as follows:

1. Continuing to deepen the unified management of production, procurement, sales, projects, finance and human resources, and comprehensively improving administrative management and service standards by establishing sound risk management systems to ensure that corporate risks are preventable and controllable.

2. Adhering to the concept of the "enterprise interests are originated from those of the industry", collaborating with others effectively with synergy efforts and being a pioneer in staggered peak production as well as setting an example in industry self-discipline to promote the continuous optimization of the industry ecology.

5. OUTLOOK FOR 2022 (CONTINUED)

(b) Business outlook of the Company (Continued)

The main working directions for 2022 are as follows: (Continued)

3. Making good downstream market research and judgment by precisely matching customer needs, safeguarding on the three major stock customers in key projects, rural revitalization and marine transportation business, as well as carrying out business operations in a refined manner by giving full play to our quality, brand and service advantages, strengthening the rigid price control and stabilizing our market share while ensuring the leading sales price in the region to effectively offset the impact of rising costs.

4. Accurately studying and judging the price trend of raw materials in the upstream market, scientifically formulating procurement nodes by making use of the advantages of the three major platforms to achieve stock replenishment at low price and stock stabilization at high price, and striving to reduce the cost of bulk raw materials procurement and to achieve the most cost-effective procurement of similar materials in the region, whereas to actively explore the construction of shared warehousing for the better strategic reserve of important components and realize resource sharing and reduce capital occupation.

5. Ensuring the efficient operation of rotary kilns and other main equipment through efficient organization and scientific operation and maintenance with comprehensive energy consumption per unit reaching advanced level in the industry. In the context of securing the stable operation, strictly controlling over maintenance expense, undergoing accurate inspection, and eliminating redundant maintenance, strictly enforcing workplace safety red lines to prevent and control major incidents and strictly abiding by the bottom line of environmental protection, laying the foundation for green development and clinging to the lifeline of product quality to ensure the best regional product quality.

6. Researching and following the change of policies on ,for example, capacity replacement, energy consumption quota, pollutant discharging licenses, carbon emissions quota and others in a timely manner by taking effective corresponding measures to prevent policy risks and striving to safeguard the steadiness in terms of the overall situation, cash flow, supply and strictly controlling various business risks, meanwhile, strengthening link-ups among preferential policies from local governments, proactively creating the conditions and aiming for more funding returns by seizing an appropriate timing to scientifically carry out the mergers and acquisitions of high-quality assets and divest and dispose of inefficient assets so as to improve the integrated strengths of enterprises.

5. OUTLOOK FOR 2022 (CONTINUED)

(b) Business outlook of the Company (Continued)

The main working directions for 2022 are as follows: (Continued)

7. Targeted planning for investment and enhancing internal drivers

   i. Prioritizing the strategic investment of resource. We will practically advance the increase of resource reserve projects by improving the resource procedures and continuously striving for the construction, improvement of green mining as well as building a series of leading enterprises in green mining construction and supporting smart and digital construction of mining in order to build digital mining in a national level.

   ii. Reasonably planning the investment in technical innovation projects. We will apply the principle of attaching equal importance to economic returns and social returns by coordinating the allocation of funds, increasing the investment in technical innovation, thus to enhance the competing strengths of energy conservation and emission reduction and the quality and efficiency improvement of key technology.

   iii. Targeted planning for investment in cement chain industry. We will adhere to the focus on the development of principal business by completing the shifts from the dot mode of thinking in products to the lineal mode of thinking in industrial chain through “Cement+”, thus to concentrate on “dual carbon” goals in the cement industry and proactively move forward to a green and low carbon transformation.

Looking forward to 2022, the Company will, with the efforts of all its employees, keep improving the quality of its operations to take business development to a new level, and build itself into a top-notch player in the industry. Meanwhile, it will earnestly fulfill social responsibility, and reward its shareholders and employees and the society with excellent performance.

(VI) Report of the Directors

The Directors hereby present the annual audited financial statements of the Group for the year ended 31 December 2021:

1. MAJOR INVESTMENTS DURING THE REPORTING PERIOD

(1) The major investments were:

Serial No.	Name of Project	Status	Amount investment authorized *(RMB in million)*	Amount paid as of 31 December 2020 *(RMB in million)*	Amounts invested during the Reporting Period *(RMB in million)*	Remaining capital expenditure as of 31 December 2021 *(RMB in million)*
1	Construction of 5,000-tonne/day cement clinker production line and 500-tonne/day urban waste treatment project with Pingyin Company	Under construction	1,385	36	489	859
2	Resource increment and mine infrastructure projects in 8 subsidiaries	Partially completed	483	2	202	280
3	Purchase of clinker capacity indicator by Linfen Shanshui	Completed	133	–	133	–
4	Construction of 1-million-tonne/year cement grinding production line of Anqiu Shanshui	Under construction	141	13	114	–
5	Renovation project of clinker production line grate cooler	Partially completed	524	309	113	102
6	Relocation of 4,500-tonne/day cement clinker production line of Chifeng Yuanhang	Under construction	1,441	1	84	1,356
7	Construction of 1-million-tonne/year cement grinding production line of Shanghe Shanshui	Completed	115	43	57	15
8	Relocation and construction of 2-million-tonne/year cement grinding production line of Qingdao Hengtai	Under construction	340	–	50	290
9	Construction of 1-million-tonne/year cement grinding production line of Changle Shanshui	Under construction	138	88	48	2
10	Construction of HF wall module and supporting materials production line of Weifang Company	Under construction	170	–	29	141
11	Construction of 1-million-cubic-meter/year commercial concrete mixing plant of Jincheng Heju	Under construction	43	–	25	18
12	1-million-tonne/year waste stone processing production line of Chifeng Yuanhang	Under construction	92	1	17	75
13	Renovation project of rotary kiln ultra-low emission of two subsidiaries in Shanxi	Under construction	41	–	16	25
14	Construction of 110-million/year heat-sealed square botton valve bags production line of branch of Pingyin Subian	Under construction	20	–	15	5
15	Construction of 1-million-tonne/year cement grinding production line of Wuxiang Company	Under construction	129	–	14	115
16	Construction of 1-million-cubic-meter/year commercial concrete mixing plant of Pingyin Building Materials	Under construction	80	–	12	68
17	Construction of cement kiln cooperative hazardous waste disposal project of Liaoning Gongyuan	Under construction	29	–	8	21
18	Construction of collaborative sludge disposal project with Kazuo Company	Under construction	12	–	7	5
19	Relocation and construction of 1-million-cubic-meter/year commercial concrete mixing plant of Heze Fuyu	Under construction	36	20	2	14
20	Construction of 1-million-cubic-meter commercial concrete mixing plant of Qingdao Hengtai	Under construction	88	–	–	88
21	Construction of co-processing engineering of Knagda Company	Under construction	34	–	–	34

The Group's investment and construction will be mainly financed by working capital obtained from daily operation and part of bank borrowings.

1. MAJOR INVESTMENTS DURING THE REPORTING PERIOD (CONTINUED)

(2) Capital increase in subsidiaries during the Reporting Period

During the Reporting Period, there was no material capital increase in the Group's subsidiaries.

(3) Disposal or de-registration of subsidiaries during the Reporting Period

During the Reporting Period, no major subsidiary of the Group has been disposed or de-registered.

2. MAJOR SUBSIDIARIES WITH CONTROLLING INTERESTS

The Company is an investment holding company. As at 31 December 2021, the Company had controlling interests in 115 subsidiaries. For details, please refer to "(IV) Corporate Profile" of this report. There were no significant changes in the nature of the Group's principal businesses in 2021.

During the Reporting Period, the top 5 most profitable subsidiaries were as follows:

Name of company	Revenue *(RMB'000)*	Profit from operations *(RMB'000)*	Net profit *(RMB'000)*
Pingyin Shanshui	1,224,789	449,166	334,655
Linqu Shanshui	1,200,870	384,418	329,449
Yantai Shanshui	1,051,476	314,783	234,400
Anqiu Shanshui	1,017,868	372,370	285,443
Zibo Shanshui	1,049,049	328,424	249,172

3. FINAL DIVIDEND

The Board recommends a final dividend of no more than RMB0.256 per share for the year ended 31 December 2021 (2020: nil). The final dividend is subject to the Company's shareholders' approval at the Company's forthcoming annual general meeting and all necessary order and approval from the Grand Court of the Cayman Islands given the outstanding winding-up petition against the Company. Subject to the timetable of the Grand Court of the Cayman Islands, the proposed dividend is expected to be distributed to the shareholders on or before 31 December 2022. The proposed dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2021.

4. TAX REDUCTION AND EXEMPTION

The Company is not aware of any tax reduction and exemption granted to shareholders due to their holdings of the securities of the Company.

5. MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, total sales attributable to the top five customers of the Group were less than 30% of total sales of the Group, and total purchases attributable to the top five suppliers of the Group were less than 30% of total purchases of the Group.

None of the Directors, nor their respective close associates (as defined in the Listing Rules) nor, to the knowledge of the Board, shareholders holding 5% or more of the issued shares of the Company has interests in any of the five largest customers or five largest suppliers of the Group for the year ended 31 December 2021.

The major raw materials and energy used by the Group are mainly denominated in RMB.

6. TOTAL ASSETS

As at 31 December 2021, the total assets of the Group were RMB28,963,687,000, representing an increase of RMB1,286,244,000 compared to the end of 2020, mainly due to the increase in inventories and intangible assets such as inventories and mining rights.

7. DISTRIBUTABLE RESERVES

As at 31 December 2021, the distributable reserves of the Company, as calculated based on the Companies Law of the Cayman Islands, amounted to RMB2,940,474,000, which includes the share premium account and accumulated losses, details of which please refer to Note 41 to the Financial Statements. No dividend may be paid out of the distributable reserves unless immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Influenced by the winding up petitions (please refer to the section headed "(X) Major Events - 1. Material Litigation in the Cayman Islands" in this annual report for more information), any disposition of the Company's property (including dividend payments) will be void, unless they fall within the scope of the validation order made on 11 October 2018 or other validation order sanctioned by the Grand Court.

8. LOANS AND BORROWINGS

Details of the Group's loans and borrowings as at 31 December 2021 are set out in Notes 24 to 26 to the Financial Statements.

9. BUSINESS REVIEW, OUTLOOK AND MAJOR RISK FACTORS

Relating to the details of the material development of the Group in 2021, a fair review of the business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, a description of the principal risks and uncertainties faced by the Group and the outlook of the Group's business are provided under the two sections headed "(IV) Corporate Profile" and "(V) Management Discussion and Analysis" in this annual report. Particulars of important events affecting the Group after 31 December 2021, if any, can also be found in the Notes to the Financial Statements. Each of the above-mentioned relevant contents form an integral part of this Report of the Directors.

10. DIRECTORS

The Directors as at the date of this report are listed below:

(1) As of the date of this report, the members of the Board of the Company are set out below:

Name	Position	Gender	Age	Term of office
LI Huibao (李會寶)	Chairman of the Board and Executive Director	M	60	15 December 2021 – Now
CHANG Zhangli (常張利)	Former Chairman and Executive Director	M	51	23 May 2018 – 15 December 2021
WU Ling-ling (吳玲綾)	Executive Director	F	56	23 May 2018 – Now
HOU Jianguo (侯建國)	Executive Director	M	60	29 May 2021 – Now
CHANG Ming-cheng (張銘政)	Independent Non-Executive Director	M	67	23 May 2018 – Now
LI Jianwei (李建偉)	Independent Non-Executive Director	M	48	23 May 2018 – Now
HSU You-yuan (許祐淵)	Independent Non-Executive Director	M	67	4 September 2018 – Now

11. CONFIRMATION OF INDEPENDENCE

The Company has received the annual confirmations of independence issued by all Independent Non-Executive Directors pursuant to Rule 3.13 of the Listing Rules and considers all Independent Non-Executive Directors to be independent.

12. PERMITTED INDEMNITY

During the Reporting Period, a directors' and officers' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

13. AUDITOR

During the Reporting Period, the Company has appointed Moore Stephens CPA Limited as the auditor of the Company. Moore Stephens CPA Limited will retire and a resolution for its re-appointment as the auditor of the Company will be proposed at the forthcoming annual general meeting.

14. DONATIONS

For the year ended 31 December 2021, the Group contributed RMB18,300,000 to charitable and other donations (2020: RMB15,033,000).

15. COMPETING BUSINESS

None of the Directors had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group.

16. MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company.

17. KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group's management policies, working environment, career prospects and employees' benefits have contributed to building a good employee relations and employee retention of the Group. The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, provident funds, bonuses and a share option scheme. The management regularly reviews its employee's remuneration packages to ensure they are up to prevailing market standard.

The Group has established long-term business relationships with its major customers and suppliers. The Group will endeavour to maintain its established relationship with these existing customers and suppliers.

18. DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY AND OTHER CORPORATIONS

Other than the share option as disclosed under the heading of "Share Option Scheme", at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

19. EQUITY-LINKED AGREEMENT

Other than the share option scheme adopted by the Company as disclosed under the heading of "Share Option Scheme", no equity-linked agreements were entered into during the Reporting Period or subsisted as at the end of the Reporting Period.

20. AMENDMENTS TO MEMORANDUM AND ARTICLES OF ASSOCIATION

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

21. CHANGES IN INFORMATION OF DIRECTORS

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

1. With effect from 15 December 2021, Mr. CHANG Zhangli resigned as the chairman of the Board, an executive Director of the Company and all positions in the subsidiaries of the Company and ceased to be the chairman of the executive committee of the Company.

2. With effect from 15 December 2021, Mr. LI Huibao was appointed as the chairman of the Board, an executive Director and the chairman of the executive committee of the Company.

3. With effect from 31 August 2021, Mr. LI Jianwei, an independent non-executive Director of the Company, has served as an independent non-executive Director of Jinxin Fertility Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1951).

22. ISSUE OF SHARES AND DEBENTURES

During the Reporting Period, the Company did not issue new shares or debentures.

23. COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

24. CONNECTED TRANSACTIONS

Save as disclosed in this section, there are no other related party transactions or continuing related party transactions as set out in Note 40 to the Financial Statements that are discloseable connected transactions and continuing connected transactions that are not compliant with the annual reporting requirements under the Listing Rules. The Company has complied with the relevant requirements under Chapter 14A of the Listing Rules as applicable to the Company.

24. CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions

The connected transactions entered into between the Company and China National Building Material Group Co., Ltd. ("**CNBMG**"), one of the substantial shareholders of the Company, as set out in this section below constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules for the year ended 31 December 2021, the summary of which is as follows:

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

(a) Mine Development Services Framework Agreement;

(b) Cement Production Equipment and Supplies Framework Agreement;

(c) Engineering and Technical Services Framework Agreement; and

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

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

The amounts and annual limits of the transactions between Company's group companies and CNBMG's group companies or affiliates under the Framework Agreements for the year ended 31 December 2021 are described as follows.

(Unit: RMB'000)

Type	Transaction amount	Proposed annual caps in respect of the transactions under the Framework Agreements
Mine Development Services	518,400	600,000
Cement Production Equipment and Supplies	66,207	80,000
Engineering and Technical Services	327,854	400,000
Clinker and Cement Transactions	128,303	340,000

24. CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions (Continued)

The auditor of the Company have been engaged to issue a report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions of the Group. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and the report from the auditor of the Company, and considered that the transactions entered into by the Group are:

a. entered into in the ordinary course of business of the Group;

b. on normal commercial terms or better; and

c. conducted in accordance with the agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

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

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

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

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

24. CONNECTED TRANSACTIONS (CONTINUED)

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

As of 31 December 2021, the Group borrowed RMB1.511 billion in aggregate on an interest-free basis from Tianrui Group which was mainly used to settle certain debts, including:

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

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

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

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

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

As of 31 December 2021, outstanding borrowings of the Company from Tianrui Group was RMB827 million.

25. MAJOR EVENTS

Please refer to the section headed "(X) Major Events" in this report.

26. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In relation to the Company's environmental policies and performance, Company is preparing an environment, social and governance report in accordance with the Environmental, Social and Governance Reporting Guide published by the Stock Exchange, which is expected to be published on or before 31 May 2022.

On behalf of the Board
China Shanshui Cement Group Limited
LI Huibao
Chairman

21 March 2022

(VII) 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 31 December 2021, the Company's authorised share capital was US$100,000,000 divided into 10,000,000,000 Shares of par value of US$0.01 each.

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

As of 31 December 2021, the Company has issued a total of 4,353,966,228 Shares.

2. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

(1) Shareholdings of substantial shareholders

As of 31 December 2021, the interests or short positions of persons, other than the Directors and Chief Executive of the Company, in the Shares and underlying shares of the Company, which would be required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register maintained under section 336 of the SFO, were as follows:

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

2. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

(1) Shareholdings of substantial shareholders (Continued)

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

Notes:

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

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

(2b) On 22 March 2016, Tianrui Group, the Company's substantial shareholder, notified the Company that it has pledged 791,000,000 shares of the Company in favor of China Bohai Bank Co., Ltd. Dalian Branch ("**Bohai Bank**") for a bank loan. In addition, according to the Form 2 filed on 8 June 2021 by Bohai Bank, on 25 April 2019, Tianrui Group has pledged an additional 160,462,000 Shares held by it in favour of Bohai Bank pursuant to a loan agreement entered into between Tianrui Group (as the borrower) and Bohai Bank (as the lender) on 7 March 2019. The aggregate of 951,462,000 Shares which were pledged to Bohai Bank as described above represent all of the Shares of the Company held by Tianrui Group.

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

(4) The interest in 428,393,000 shares of the Company was held by several direct or indirect subsidiaries of Asia Cement Corporation. The interest in 142,643,000 shares of the Company was held by Yu Yuan Investment Corporation Limited, which is the party to the agreement under Section 317.

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

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

(7) The number of issued shares of the Company as at 31 December 2021 was 4,353,966,228.

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

2. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

(1) Shareholdings of substantial shareholders (Continued)

Save as disclosed above, and so far as the Directors are aware, as of 31 December 2021, no person, other than Directors or the Chief Executive of the Company, had an interest or short position in the Shares or underlying shares of the Company which would need to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register maintained pursuant to Section 336 of the SFO.

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

As of 31 December 2021, none of the Directors or the chief executives of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, which would be required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

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

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

4. SHARE OPTION SCHEME

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

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

4. SHARE OPTION SCHEME (CONTINUED)

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

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

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

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

Out of the options to subscribe for 163,700,000 Shares granted on 27 January 2015, 71,400,000 shares options were lapsed in accordance with the terms of the Share Option Scheme and therefore will not be counted for the purpose of the Existing Scheme Mandate Limit pursuant to Note 1 to Rule 17.03(3) of the Listing Rules.

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

Accordingly, taking into account all the options granted and conditionally granted, the outstanding Existing Scheme Mandate Limit as of the date of this report is 168,036,000 Shares, representing approximately 64.55% of the Existing Scheme Mandate Limit and approximately 3.86% of the share capital in issue (4,353,966,228 Shares) as at the date of this report.

The Shares that will be issued upon full exercise of the options currently granted under the Share Option Scheme are 92,300,000 Shares, representing approximately 2.12% of the share capital in issue (4,353,966,228 Shares) of the Company as of 31 December 2021.

4. SHARE OPTION SCHEME (CONTINUED)

Details of the options are set out as follows:

Type of Grantee	Date of Grant	Vesting period	Exercise period	Exercise price	Number of Share Options: Outstanding as at 1 January 2021	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	31 December 2021
Employees and directors of subsidiaries and associates	25 May 2011	Nil	25 May 2011 – 24 May 2021	HK$7.90	5,500,000	–	(5,500,000)	–	–
	27 January 2015	Six months after the date of grant	27 July 2015 – 26 January 2025	HK$3.68	110,100,000	–	(17,800,000)	–	92,300,000
					115,600,000	–	(23,300,000)	–	92,300,000

Summary of the principal terms of the share option scheme

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

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

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

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

4. SHARE OPTION SCHEME (CONTINUED)

Summary of the principal terms of the share option scheme (Continued)

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

5. PRE-EMPTIVE RIGHTS

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

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

1. AS OF THE DATE OF THIS REPORT

(1) The members of the Board of the Company are set out below:

Name	Position	Gender	Age	Term of office
LI Huibao (李會寶)	Chairman of the Board and Executive Director	M	60	15 December 2021 – Now
CHANG Zhangli (常張利)	Former Chairman and Executive Director	M	51	23 May 2018 – 15 December 2021
WU Ling-ling (吳玲綾)	Executive Director	F	56	23 May 2018 – Now
HOU Jianguo (侯建國)	Executive Director	M	60	29 May 2021 – Now
CHANG Ming-cheng (張銘政)	Independent Non-Executive Director	M	67	23 May 2018 – Now
LI Jianwei (李建偉)	Independent Non-Executive Director	M	48	23 May 2018 – Now
HSU You-yuan (許祐淵)	Independent Non-Executive Director	M	67	4 September 2018 – Now

(2) Biography of Directors and senior management

(a) Executive Directors

Mr. LI Huibao, aged 60, has been an executive Director of the Company since 15 December 2021. He is the chairman of the Board and the Executive Committee and concurrently holds directorship in the subsidiaries of the Company, including Pioneer Cement and China Shanshui (Hong Kong). Mr. LI has been the president of Shandong Shanshui, a subsidiary of the Company, since July 2019 and the chairman of Shandong Shanshui Financial Leasing Co., Ltd., a subsidiary of the Company, since November 2019. From December 1998 to March 2000, Mr. LI served as the secretary of the party committee of Tangwang Town, Licheng District, Jinan City. From March 2000 to August 2004, he served as the deputy director and a member of the party committee of the Forestry Bureau of Jinan City (from July 2001 to August 2004, he successively served as the assistant to the commissioner of Shigatse Area and the secretary of the Party Committee of Bailang County). Subsequently, Mr. LI served as the deputy director and the deputy secretary of the Party Committee (director level) of Jinan Grain Bureau from August 2004 to December 2005, the director and the secretary of the Party Committee of Jinan Grain Bureau from December 2005 to March 2012, the director and the secretary of the Party Committee of Jinan Economic and Information Technology Commission from March 2012 to April 2017, and the executive deputy secretary of the Political and Legal Committee and the director of the Municipal Comprehensive Administration Office of Jinan from April 2017 to July 2019. Mr. LI obtained a master's degree in business administration from Tsinghua University in 2006 and a doctorate degree in management from Tianjin University in 2013.

1. AS OF THE DATE OF THIS REPORT (CONTINUED)

(2) Biography of Directors and senior management (Continued)

(a) Executive Directors (Continued)

Mr. CHANG Zhangli, aged 51, had been an Executive Director of the Company since 23 May 2018 and is the Chairman of the Board and the Executive Committee as well as the director of various subsidiaries of the Company, including Pioneer Cement, China Shanshui (HK) and Shandong Shanshui until his resignation on 15 December 2021. Mr. CHANG has approximately 30 years of experience in handling listing-related matters for listed companies, with participation in all major matters of China National Building Material Company Limited ("CNBM") relating to the global offering of the shares, listing of shares on the Stock Exchange, additional issue of shares as well as merger through absorption. Mr. CHANG has served as the deputy general manager of China National Building Material Group Co., Ltd since July 2018. From June 2018 to August 2021, he served as a non-executive of CNBM, whose shares are listed on the Main Board of the Stock Exchange (stock code: 3323), and was re-designated as an executive director of CNBM since August 2021. He served as a director of China Jushi Co., Ltd., whose shares are listed on Shanghai Stock Exchange (stock code: 600176) since July 2005. Mr. CHANG has been serving as an executive director, the vice president and the secretary to the Board of CNBM since November 2011, August 2006 and March 2005 respectively, and held office until June 2018. He served as the non-executive director of China Conch Venture Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 586) from March 2019 to November 2021. Mr. CHANG has been serving as a director of Beijing New Building Materials Public Limited Company, a company listed on Shenzhen Stock Exchange (stock code: 786) from July 2008 to April 2019. From March 2019 to November 2021, Mr. CHANG served as a non-executive director of China Conch Venture Holdings Co., Ltd., whose shares are listed on the Main Board of the Stock Exchange (stock code: 586). Mr. CHANG has served as directors and other key positions in many important subsidiaries of CNBM since 2005. Mr. CHANG has also been serving as senior management or director in subsidiaries of CNBM. Mr. CHANG is an engineer who received a bachelor's degree in engineering from Wuhan Polytechnic University (now Wuhan University of Technology) in July 1994 and received an MBA degree from Tsinghua University in July 2005. Currently, Mr. CHANG concurrently serves as the vice president of the Listed Companies Association of Beijing and the vice president of China Association for Public Companies. Mr. CHANG was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果).

(VIII) Basic Information on Directors, Senior Management and Employees (Continued)

1. AS OF THE DATE OF THIS REPORT (CONTINUED)

(2) Biography of Directors and senior management (Continued)

(a) Executive Directors (Continued)

Ms. WU Ling-ling, aged 56, has been an Executive Director of the Company since 23 May 2018 and is a member of the Executive Committee and the Nomination Committee of the Board of the Company as well as the director of various subsidiaries of the Company, including Pioneer Cement, China Shanshui (HK), Shandong Shanshui, etc. Ms. WU is a financial executive with more than 30 years of experience in working with international public accounting, manufacturing, telecommunications and internet service provider firms. Since July 2007, Ms. WU has served as the chief financial officer and executive vice president of ACC, a limited liability company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation (stock code: 1102). Ms. WU serves as a director and supervisor for more than 30 companies including being a former supervisor and member of the board of directors of Oriental Union Chemical Corporation (stock code: 1710), a company listed on the Taiwan Stock Exchange Corporation and a supervisor of Jia Hui Power Corporation, a subsidiary of Asia Cement. Ms. WU was an Executive Director of the Company from 14 October 2015 to 1 December 2015. Ms. WU serves as an executive director of Asia Cement (China) Holdings Corporation (whose shares are listed on the Main Board of the Stock Exchange (stock code: 743)) since 14 April 2016. From June 2001 and July 2004, Ms. WU served as the vice president of Audit Department and Corporate Controller of Far EasTone Telecommunications Co., Ltd., also a listed affiliate of FEG. She had served in diverse positions since joining the firm in June 2001. Ms. WU has financial expertise in mergers and acquisitions, working capital management, process control, and regulatory accounting and reporting. She specializes in supporting corporate strategy including streamlining, controllership, and growth initiatives. She has been successful in leading both corporate turnarounds and rapid growth expansion through two initial public equity offerings and multiple acquisitions. Ms. WU is a Certified Public Accountant registered in the United States of America and Taiwan. She received a master of business administration degree having majored in accounting from the California State University, Los Angeles and a master of business administration degree from National Zhengzhi University in Taipei.

(VIII) Basic Information on Directors, Senior Management and Employees (Continued)

1. AS OF THE DATE OF THIS REPORT (CONTINUED)

(2) Biography of Directors and senior management (Continued)

(a) Executive Directors (Continued)

Mr. HOU Jianguo, aged 60, has been an Executive Director of the Company since 29 May 2021 and is a member of the Executive Committee and the Nomination Committee of the Board. Mr. HOU is currently a director of China Shanshui Investment Company Limited. He has also been serving as director and chief accountant of Jinan Industrial Development Investment Group Co., Ltd (濟南產業發展投資集團有限公司) since May 2017.

He served as the chairman of Jinan committee of the Jiusan Society and a member of the Standing Committee of CPPCC in Jinan. He was granted the title of senior accountant by the Shandong Senior Assessment Committee for Qualification in Accounting in January 2003.

He graduated from economic management major of the postgraduate class for on-the-job cadres of the Party School of Shandong Committee of the Communist Party of China in June 2008 and graduated from the finance and taxation major of Finance School of Shandong Province (山東省財政學校) in July 1984.

(b) Independent Non-Executive Directors

Mr. CHANG Ming-cheng, aged 67, has been an Independent Non-Executive Director of the Company since 23 May 2018 and is the chairman of the Audit Committee and member of both the Remuneration Committee and the Nomination Committee of the Company. Mr. CHANG received a bachelor degree in mechanical engineering from Taiwan University in 1976 and a master degree in business administration from the University of Michigan in 1978. He passed the U.S. Uniform Certified Public Accountant Examination in May 1978. After working in the United States for one year, he returned to Taiwan in 1979 and joined Deloitte & Touche Taiwan, and became an audit partner in 1990. Between September 1994 and August 1996, he was seconded to Shanghai and involved in the B share listing of Huangshan Tourism Development Co.,Ltd. and Anhui Gujing Distillery Company Limited. As an experienced auditor, he had a high level of participation in merger and acquisition activities in the PRC and Taiwan. Since June 2007, he assumed the role of reputation and risk leader at Deloitte & Touche Taiwan and was responsible for its overall quality of services and risk management till his retirement in October 2014. Mr. CHANG has been an Executive Director of the Accounting Research and Development Foundation and the chairman of the Auditing Standards Committee of Taiwan from April 2011 to March 2020. He also serves as independent director for three Taiwanese listed companies, namely Medigen Vaccine Biologics Corporation (高端疫苗生物製劑股份有限公司), Alexander Marine Co., Ltd. (東哥企業股份有限公司) and United AlloyTech Company Ltd. (精確實業股份有限公司). He has been appointed as a supervisor of the Ship and Ocean Industries R&D Center (船舶暨海洋產業研發中心) since January 2019.

(VIII) Basic Information on Directors, Senior Management and Employees (Continued)

1. AS OF THE DATE OF THIS REPORT (CONTINUED)

(2) Biography of Directors and senior management (Continued)

(b) Independent Non-Executive Directors (Continued)

Mr. LI Jianwei, aged 48, has been an Independent Non-Executive Director of the Company since 23 May 2018 and is the chairman of the Remuneration Committee, a member of both the Nomination Committee and the Audit Committee of the Company. Mr. LI is a Juris Doctor, a professor of Commercial Law at China University of Political Science and Law and a supervisor of doctoral students. He also serves as the director of Department of Law and Commerce of Business School, chairman of Academic Committee of Business School, as well as the secretary general of the Commercial Law Research Society of China Law Society. His main research areas include, among others, civil and commercial law, corporate law, securities law, corporate governance, etc. He is a well-known young and middle-aged company law expert in China who has made outstanding achievements in the research of a broad range of commercial laws including company law, securities law, insurance law, investment fund law and trust law, etc. He worked as a post-doctoral researcher at the Business School of the Renmin University of China from 2002 to 2004, a senior visiting scholar at the Law School of University of The New South Wales, Australia from 2008 to 2009 and a visiting professor at the Law School of The Aoyama Gakuin University in Japan from 2013 to 2015. His past positions also include the Executive Director and secretary general of the Commercial Law Research Society of China Law Society, Executive Director of China Association of Business Law, member of the 1st, 2nd and 3rd Hong Kong and Macau Law Committee of Zhuhai Hengqin New Area, member of Expert Advisory Committee of courts such as Guangzhou Intermediate People's Court, and arbitrator of arbitration committees in Beijing, Fuzhou, Changsha, Guangzhou, Zibo, Beihai, Ordos and, Zhuhai, etc. He has been in charge of more than 10 national and provincial level projects, including a chief specialist of significant projects under the National Social Science Fund of China, youth research project under the National Social Science Fund of China, the Humanities and Social Science Fund of the Ministry of Education, rule of law theory projects of the Ministry of Justice and social science projects under Beijing Social Science Fund, etc. He has been in charge of the Youth Research Innovation Team Project of Commercial Law in China University of Political Science and Law for 6 years from 2012 to 2018. He has published more than 160 academic papers in publications such as China Legal Science, Journal of Law and Xinhua Digest, and published more than 10 books and translated works including "A Study of Independent Directors", "Corporate Mechanism, Corporate Management and Corporate Governance" and "Company Law". He has won many awards for research excellence such as the second prize in Dong Biwu Youth Law Achievement Award and the third prize in the 4th China Law Outstanding Achievement Award. As a legal expert, he has successively participated in expert argumentation of a number of legislative and judicial interpretation documents, including, among others, General Principles of Civil Law, Civil Code – Contracts, Company Law, Electronic Commerce Law and Company Law Interpretation (3) (4). He has won the Outstanding Teacher Award of 2011 and Excellent Teacher Award of 2007, 2009, 2010, 2016 of the

1. AS OF THE DATE OF THIS REPORT (CONTINUED)

(2) Biography of Directors and senior management (Continued)

(b) Independent Non-Executive Directors (Continued)

China University of Political Science and Law. He has been awarded as one of the Ten Teachers Most Welcomed by Undergraduates in 2006, 2008 and 2010. Mr. LI served as the chairman of the board of Beijing Fangyuan Zhonghe Culture Communication Co., Ltd. (北京方圓眾合教育科技有限公司) from October 2009 to 1 July 2021. In 2015, he obtained the qualification of independent director from the Shanghai Stock Exchange and is currently the independent director of Hanwang Technology Co., Ltd. (漢王科技股份有限公司), whose shares have been listed on the Shenzhen Stock Exchange (Stock Code: 002362) since April 2018, Linksus Digiwork Marketing Communication Co., Ltd. (靈思雲途營銷顧問股份有限公司) whose shares have been listed on the National Equities Exchange and Quotations (Stock Code: 838290) since May 2017, and China Quanjude(Group) Co., Ltd. (中國全聚德(集團)股份有限公司) whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002186) since 29 December 2018. Mr. LI is currently an independent non-executive director of Jinxin Fertility Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1951), since 31 August 2021.

Mr. HSU You-yuan, aged 67, has been an Independent Non-Executive Director of the Company since 4 September 2018 and is the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Company. Mr. HSU has been the chairman and president of DCH Solargiga GmbH since February 2018 and a Non-Executive Director of Solargiga Energy Holdings Limited (Stock Code: 757) since June 2016. He was the managing director of Silicon Technology Investment (Cayman) Corp. and was appointed as the chief executive officer of Solar Technology Investment (Cayman) Corp., responsible for overseeing, amongst others, Water Works Corp.'s investment in the solar energy industry. In March 2006, he was appointed as a director and he was subsequently appointed as the chairman of the board of Jinzhou Youhua Silicon Materials Co., Ltd. in September 2006. Mr. HSU's previous work credentials also include acting as deputy general manager of Mosel Vitelic Inc., a company listed on the Taiwan Stock Exchange with stock code 2342 and as a member of the board of directors and executive vice-president of Mosel Vitelic (Hong Kong) Limited, a subsidiary of Mosel Vitelic Inc. Mr. HSU had also made contributions to non-commercial sectors in the past. He served as a researcher, a deputy director, and the director of business department of the Executive Yuan Development Fund of Taiwan (Executive Yuan Development Fund is now known as National Development Fund, Executive Yuan). He was also a lecturer of Statistics and Managerial Mathematics for the business administration department at the Chinese Culture University and published the Supply and Demand Models of Cement in Taiwan in the Taiwan Economy (Issue 59 of 1981) of the Economic Planning and Mobilization Council Taiwan Provincial Government. Mr. HSU obtained his bachelor's degree in Statistics from National Cheng Kung University in 1978 and his master's degree in International Business Administration from Chinese Culture University in 1980.

(VIII) Basic Information on Directors, Senior Management and Employees (Continued)

1. AS OF THE DATE OF THIS REPORT (CONTINUED)

(2) Biography of Directors and senior management (Continued)

(c) Senior management

Mr. WANG Mingbo, aged 59, was appointed as a director and vice president of Shandong Shanshui in July 2018, mainly responsible for managing the daily affairs of Shandong Shanshui. Mr. WANG graduated from Jinan Textile Industry School (濟南紡織工業學校) and successively studied industrial enterprise management and economic management at Shandong University of Technology (山東工業大學) and Shandong Provincial School of the Communist Party of China (山東省委黨校) as a part-time student. He is a member of the Communist Party of China. Mr. WANG has 29 years of experience in governments and over 30 years of experience in economy management. Mr. WANG served the Technology Development Company of Jinan Economic Committee from August 1987 to October 1990, responsible for the management of enterprises. From October 1990 to April 2010, he successively served as a deputy-senior staff, a senior staff of the production department, a senior staff of the production department, a deputy director and director of the safety and environment protection department, the head of the office of the petroleum zone and the director of the industrial restructuring and adjustment division con the head of the supervision office of key technological projects of Jinan Economic Committee. He was the director of the planning and technological transformation department of Jinan Economic and Information Technology Committee from April 2010 to June 2012; the deputy head of Jinan Economic and Information Technology Committee from June 2012 to July 2018. Mr. WANG has been the chairman and a deputy general manager of Jinan Industrial Development and Investment Group Company Limited (濟南產業發展投資集團有限公司) since July 2018.

(d) Company secretary

Ms. LEE Mei Yi has been appointed as the company secretary of the Company on 16 December 2019. Ms. LEE is an Executive Director of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. LEE has over 25 years of experience in the corporate secretarial field, holds an Honours Bachelor's Degree in Accountancy and is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Chartered Governance Institute (formerly known as "The Institute of Chartered Secretaries and Administrators") in the United Kingdom. Ms. LEE is also a holder of the Practitioner's Endorsement from HKICS.

The Company's primary contact person with Ms. LEE is Ms. WU Ling-ling, an Executive Director.

2. APPOINTMENT AND RETIREMENT OF DIRECTORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

With effect from 29 May 2021, Mr. CHANG Zhangli ceased to be the chairman and a member of the Nomination Committee of the Company; Mr. HOU Jianguo was appointed as an executive Director and a member of the Executive Committee and the Nomination Committee of the Company; Mr. HSU You-yuan, an independent non-executive director of the Company, was appointed as the chairman of the Nomination Committee of the Company.

With effect from 15 December 2021, Mr. CHANG Zhangli resigned as the chairman of the Board, an executive Director and the chairman of the executive committee of the Company; Mr. LI Huibao was appointed as the chairman of the Board, an executive Director and the chairman of the executive committee of the Company.

3. SERVICE CONTRACTS OF DIRECTORS

The Company has entered service contracts with each of Mr. CHANG Zhangli and Mr. LI Jianwei. Their respective term of office (starting from 23 May 2018) and other terms and conditions are determined by the Board. Each of the aforesaid persons is entitled to receive annual salary which shall be determined by the Board with reference to their respective qualification, experience, positions in the Company and duties as well as the prevailing market situation. The Company has entered into a service contract with Mr. HSU You-yuan with a term of three year from 4 September 2018 to 3 September 2021. Pursuant to the letter of engagement of Mr. HSU, his remuneration as an Independent Non-Executive Director shall be no more than RMB1 million per year. The Company has entered into a service contract with Ms. WU Ling-ling whose director remuneration as an Executive Director shall be no more than HK$3 million per year. The Company has entered into a service contract with Mr. CHANG Ming-cheng whose director remuneration as an Independent Non-Executive Director shall be no more than HK$1.5 million per year. The remuneration of each of the aforesaid person is determined with reference to their respective salaries paid by the comparable companies and their experience, duties and performance. Each of them is subject to retirement by rotation and re-election in accordance with the Articles of Association.

For the year ended 31 December 2021, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Save as disclosed above, none of our Directors has or is proposed to enter into any service contract with any member of our Group.

4. INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the Reporting Period, none of the Directors or senior management of the Company had any material interest in any transaction, arrangement or contract of significance which was entered into by the Company or its subsidiaries.

5. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT FOR THE YEAR

Please refer to Notes 11, 12 and 40(c) to the Financial Statements for details of the remuneration of Directors and senior management of the Group during the Reporting Period.

The remuneration policy of the employees of the Group is set up on the basis of their merits, qualifications and competence, including basic salary and performance-based bonus. The performance-based bonus is determined with reference to the performance assessment of the employees of the Group.

The Group's PRC subsidiaries participate in the state-management retirement benefits scheme operated by the local government in compliance with applicable PRC regulations. Subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefits scheme.

6. HIGHEST PAID INDIVIDUALS

Please refer to Note 12 to the Financial Statements for details of the remuneration of the five highest paid individuals of the Group during the Reporting Period.

7. HUMAN RESOURCES

As at 31 December 2021, the Group had a total of 17,740 employees. The Group provides retirement insurance, medical insurance and unemployment insurance and makes contributions to the housing provident scheme for its employees in the PRC in accordance with applicable laws and regulations in the PRC. The Group remunerates its employees based on their respective work performance and experience and reviews its employee remuneration policies as and when appropriate. Please refer to Note 9(b) to the Financial Statements for details of the Group's personnel expenses such as salaries and benefits during the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

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

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

Chairman and Chief Executive Officer

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

Mr. LI Huibao has been appointed as the Chairman with effect from 15 December 2021 as Mr. CHANG Zhangli's replacement. The Company did not appoint any Chief Executive Officer and Mr. LI Huibao, the Chairman, undertakes the responsibilities of the Chief Executive Officer. In allowing the two positions to be occupied by the same person, the Company has considered that both positions require in-depth knowledge and considerable experience of the Group's business. Candidates with the requisite knowledge, experience and leadership are difficult to identify. If either of the positions is occupied by an unqualified person, the Group's performance could be gravely compromised. Besides, the Board believes that the balance of power and authority will not be impaired by such arrangement as it is adequately ensured by the Board which comprises experienced and high calibre individuals (including Executive Directors and Independent Non-Executive Directors).

Meeting between Chairman and Independent Non-Executive Directors

According to Code Provision C.2.7 of the CG Code, the chairman should at least annually hold a meeting with the Independent Non-Executive Directors without the presence of other Directors. During the Reporting Period, the Chairman did not hold any formal meeting with Independent Non-Executive Directors without the presence of other Directors due to the tight schedule of Mr. CHANG Zhangli as the former Chairman of the Board, and Mr. LI Huibao as the Chairman of the Board*, and Mr. CHANG Ming-cheng, Mr. LI Jianwei and Mr. HSU You-yuan as the Independent Non-Executive Directors. Besides, Independent Non-Executive Directors may communicate and discuss with the Chairman directly at any time to share their views on the Company's affairs. The Company considers that there are sufficient channels for discussion of the Company's affairs between the Chairman and Independent Non-Executive Directors in the absence of other Directors.

* Mr. CHANG Zhangli resigned, and Mr. LI Huibao was appointed, as the chairman of the Board with effect from 15 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

The key responsibilities of the Board include formulating the Group's overall strategies, setting management targets, monitoring internal controls and financial management, supervising the performance of our management, developing and reviewing the policies and practices of corporate governance. The Board operates in accordance with established practices (including those relating to reporting and supervision).

Board Composition

The Board assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. It should act in the best interest of the Company and its Shareholders at all times. The Board sets strategies for the Company and monitors the performance and activities of the senior management. The management is responsible for the implementation of the Board's decisions and daily management.

The Board currently comprises three Executive Directors, and three Independent Non-Executive Directors. The brief biographical details of the Directors are set out in the section headed "(2) Biography of Directors and senior management" of "(VIII) Basic Information on Directors, Senior Management and Employees" of this report. The Executive Directors of the Company are responsible for the day to day operations of the Company whereas the Independent Non-Executive Directors of the Company are responsible for ensuring a high standard of financial and management reporting to the Board and Shareholders as well as to provide a balanced composition in the Board so that there is a strong independent element on the Board.

The Board of the Company during the Reporting Period comprises the following Directors:

Executive Directors
Mr. LI Huibao *(appointed on 15 December 2021 as Chairman)*
Mr. CHANG Zhangli *(appointed on 23 May 2018 as Chairman and resigned on 15 December 2021)*
Ms. WU Ling-ling *(appointed on 23 May 2018)*
Mr. HOU Jianguo *(appointed on 29 May 2021)*

Independent Non-Executive Directors
Mr. CHANG Ming-cheng *(appointed on 23 May 2018)*
Mr. LI Jianwei *(appointed on 23 May 2018)*
Mr. HSU You-yuan *(appointed on 4 September 2018)*

None of the members of the Board is related to one another.

BOARD OF DIRECTORS (CONTINUED)

Board Meetings

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Apart from regular Board meetings, the Chairman did not hold meeting with Independent Non-Executive Directors without the presence of other Director during the Reporting Period.

During the Reporting Period, the Chairman did not hold any formal meeting with Independent Non-Executive Directors without the presence of other Directors due to the tight schedule of Mr. CHANG Zhangli as the former Chairman of the Board, and Mr. LI Huibao as the Chairman of the Board*, and Mr. CHANG Ming-cheng, Mr. LI Jianwei and Mr. HSU You-yuan as the Independent Non-Executive Directors. Besides, Independent Non-Executive Directors may communicate and discuss with the Chairman directly at any time to share their views on the Company's affairs. The Company considers that there are sufficient channels for discussion of the Company's affairs between the Chairman and Independent Non-Executive Directors in the absence of other Directors.

* Mr. CHANG Zhangli resigned, and Mr. LI Huibao was appointed, as the chairman of the Board with effect from 15 December 2021.

Directors' Attendance Records at Board Meetings and General Meetings

During the Reporting Period, the Board held 16 meetings and the Directors' attendance records are as follows:

Name of Directors	Attendance during the Reporting Period
Executive Directors:	
Mr. LI Huibao *(appointed on 15 December 2021)*	1/1
Mr. CHANG Zhangli *(resigned on 15 December 2021)*	14/16
Ms. WU Ling-ling	16/16
Mr. HOU Jianguo *(appointed on 29 May 2021)*	10/11
Independent Non-Executive Directors:	
Mr. CHANG Ming-cheng	16/16
Mr. LI Jianwei	16/16
Mr. HSU You-yuan	15/16

BOARD OF DIRECTORS (CONTINUED)

Directors' Attendance Records at Board Meetings and General Meetings (Continued)

During the Reporting Period, one general meeting was held and the Directors' attendance records are as follows:

Name of Directors	Attendance during the Reporting Period
Executive Directors:	
Mr. LI Huibao *(appointed on 15 December 2021)*	N/A
Mr. CHANG Zhangli *(resigned on 15 December 2021)*	1/1
Ms. WU Ling-ling	1/1
Mr. HOU Jianguo *(appointed on 29 May 2021)*	N/A
Independent Non-Executive Directors:	
Mr. CHANG Ming-cheng	1/1
Mr. LI Jianwei	1/1
Mr. HSU You-yuan	1/1

Chairman and Chief Executive Officer

The principal duties of Chairman are: (a) to lead the Board and ensure that the Board operates effectively and performs its duties and discusses any significant and appropriate matters on a timely basis; (b) to ensure that all Directors at the meetings of the Board are properly informed of the current affairs; (c) to ensure that all Directors receive sufficient information which is complete and reliable, on a timely basis; and (d) to review the implementation of the Board resolutions passed.

The principal duties of Chief Executive Officer are: (a) to oversee the management of the Group's daily production and operations with the assistance of Executive Directors and senior management; (b) to implement major strategies and development plans adopted by the Board, including coordination of implementing the Board resolutions, annual business plans and investment proposals of the Company; (c) to prepare the proposal on the establishment of internal management structure, to organise and formulate the roles and responsibilities of various departments, standards of various positions and professional management procedures, to formulate the basic management system and the standards for performance appraisal of management officers of various levels; (d) to propose the engagement, dismissal or re-designation of deputy general managers or financial controller of the Company; (e) to convene and chair the general manager office meetings and professional management seminars; and (f) to perform other duties and exercise other powers granted by the Articles of Association and the Board.

Code Provision C.2.1 stipulates that the roles of chairman and chief Executive Officer should be separate and should not be performed by the same individual.

BOARD OF DIRECTORS (CONTINUED)

Chairman and Chief Executive Officer (Continued)

Mr. LI Huibao has been appointed as the Chairman with effect from 15 December 2021 as Mr. CHANG Zhangli's replacement. The Company did not appoint any Chief Executive Officer and Mr. LI Huibao, the Chairman, undertakes the responsibilities of the Chief Executive Officer.

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

Independent Non-Executive Directors

The Company has received written annual confirmation from each of the Independent Non-Executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-Executive Directors are independent.

Rule 3.10(1) of the Listing Rules requires that every board of directors of a listed issuer must include at least three Independent Non-Executive Directors. Rule 3.21 of the Listing Rules requires that an audit committee shall comprise at least three members, among whom, at least one member shall be an Independent Non-Executive Director possessing proper qualification in compliance with the relevant requirements of Rule 3.10(2) of the Listing Rules or appropriate accounting expertise or related financial management expertise. The Company has also complied with the requirement of Rule 3.10A of the Listing Rules relating to the appointment of Independent Non-Executive Directors representing at least one-third of the Board.

During the Reporting Period, the Company has met the relevant requirements.

Appointment and Re-election of Directors

The Non-Executive Directors (including Independent Non-Executive Directors) of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

The Company's Articles of Association provides that any Director appointed to fill a casual vacancy shall hold office only until the next following general meeting of the Company and shall then be subject to re-election at that meeting.

Meanwhile, pursuant to the requirements of the Articles of Association of the Company, at every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election at such meeting.

BOARD COMMITTEES (CONTINUED)

The Respective Responsibilities of the Board and Management, and Their Respective Responsibilities and Contributions to the Issuer

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including Independent Non-Executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Independent Non-Executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

BOARD COMMITTEES (CONTINUED)

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

All Directors are encouraged to attend relevant training courses to improve their knowledge and skills. Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. The Company also keeps the Directors informed of the latest updates on the amendments to the Listing Rules and the media coverage published on the Stock Exchange.

The Directors confirmed that they have complied with Code Provision C.1.4. During the Reporting Period, all Directors have participated in continuous professional development by means of attending seminars and/or reading materials to develop and refresh their knowledge and skills.

The individual training record of each existing Director received for year ended 31 December 2021 is set out as follows:

Directors	Type of Training Note
Executive Directors	
Mr. LI Huibao *(appointed on 15 December 2021)*	A and B
Mr. CHANG Zhangli *(resigned on 15 December 2021)*	B
Ms. WU Ling-ling	A and B
Mr. HOU Jianguo *(appointed on 29 May 2021)*	A and B
Independent Non-Executive Directors	
Mr. CHANG Ming-cheng	B
Mr. LI Jianwei	A
Mr. HSU You-yuan	A and B

Note:

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES (CONTINUED)

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee, for overseeing particular aspects of the Company's affairs. The Audit Committee, Remuneration Committee and Nomination Committee of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "(II) Corporate Information" on page 4.

Audit Committee

The Audit Committee consists of three Independent Non-Executive Directors, namely Mr. CHANG Ming-cheng, Mr. LI Jianwei and Mr. HSU You-yuan. Mr. CHANG Ming-cheng is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the committee include:

– to monitor the independence of external auditors, the financial reporting process and effectiveness of the risk management and internal control system; and

– to perform the following tasks as set out in Code Provision A.2.1 of the Corporate Governance:

(1) to develop and review the Company's policies and practices on corporate governance;

(2) to review and monitor the training and continuous professional development of directors and senior management;

(3) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(4) to review and monitor the code of conduct and compliance manual of employees and directors; and

(5) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

During the Reporting Period, the Audit Committee has reviewed the independence of external auditors, the preparation procedures of the financial statements of the Company, the effectiveness of the Company's internal audit function and the effectiveness of the risk management and internal control system, and performed the tasks as set out in Code Provision A.2.1 of the Corporate Governance Code.

BOARD COMMITTEES (CONTINUED)

Audit Committee (Continued)

The Audit Committee reviewed the interim and annual consolidated financial statements, including the Group's adopted accounting principles and practices, internal controls, and financial reporting matters in conjunction with the external auditors. The Audit Committee endorsed the accounting treatment adopted by the Company and had the best of its ability assured itself that the disclosure of the financial information in this report complies with the applicable accounting standards and Appendix 16 of the Listing Rules.

The Audit Committee has recommended to the Board that Moore Stephens CPA Limited, Certified Public Accountants, be nominated for re-appointment as external auditors of the Company at the forthcoming annual general meeting of the Company.

The results of the Group for the Reporting Period were reviewed by the Audit Committee at the meeting held on 21 March 2022. At such meeting, the Audit Committee considered and approved the audited financial statements of the Company for the Reporting Period prepared in accordance with IFRS and the internal audit report.

During the Reporting Period, the Audit Committee held 7 meetings and the attendance records of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	Attendance during the Reporting Period
Mr. CHANG Ming-cheng	7/7
Mr. LI Jianwei	7/7
Mr. HSU You-yuan	7/7

Remuneration Committee

The Remuneration Committee consists of three Independent Non-Executive Directors, namely Mr. LI Jianwei, Mr. CHANG Ming-cheng and Mr. HSU You-yuan. Mr. LI Jianwei is the chairman of the Remuneration Committee.

The Remuneration Committee makes recommendations to the Board on the remuneration packages of individual Executive Directors and senior management and is principally responsible for formulating the remuneration policy for the Executive Directors and senior management of the Company and make recommendations to the Board of the Company. The Remuneration Committee is a standing committee of the Board.

BOARD COMMITTEES (CONTINUED)

Remuneration Committee (Continued)

During the Reporting Period, the Remuneration Committee has reviewed the remuneration policy for the Executive Directors and senior management of the Company, assessed the annual job performance of and formulated the remuneration packages for the aforesaid persons and made recommendations to the Board of the Company in respect thereof.

Details of the remuneration of the senior management by band are set out in Note 40(c) to the Financial Statements.

During the Reporting Period, the Remuneration Committee held 2 meetings and the attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance during the Reporting Period
Mr. LI Jianwei	2/2
Mr. CHANG Ming-cheng	2/2
Mr. HSU You-yuan	2/2

Nomination Committee

The Nomination Committee consists of five members, namely Ms. WU Ling-ling and Mr. HOU Jianguo (both being Executive Directors), Mr. CHANG Ming-cheng, Mr. LI Jianwei and Mr. HSU You-yuan (all being Independent Non-Executive Directors). Mr. HSU You-yuan is the chairman of the Nomination Committee.

The principal duties of the Nomination Committee are (i) to review the structure, size and composition of the Board on a regular basis; (ii) to consider the succession arrangement of the Directors and other senior management members; (iii) where necessary, to identify suitable candidates to fill the vacancy of the Board and recommend such candidates to the Board for approval; (iv) to review the length of time which Non-Executive Directors are required to contribute and the independence of each Independent Non-Executive Director; and (v) to make recommendations to the Board in respect of the appointment and re-appointment of Directors. The Nomination Committee is a standing committee of the Board and accountable to the Board.

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee has reviewed the Board Diversity Policy and policy for the nomination of Directors as well as the nomination procedures and selection and recommendation standards for candidates of Directors.

During the Reporting Period, the Nomination Committee held 3 meeting and the attendance records of the members of the Nomination Committee are as follows:

Name of Members of the Nomination Committee	Attendance during the Reporting Period
Mr. HSU You-yuan	3/3
Mr. CHANG Zhangli *(resigned on 29 May 2021)*	2/2
Ms. WU Ling-ling	3/3
Mr. HOU Jianguo *(appointed on 29 May 2021)*	1/1
Mr. CHANG Ming-cheng	3/3
Mr. LI Jianwei	3/3

BOARD COMMITTEES (CONTINUED)

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-Executive Directors on the Board and independence of the proposed Independent Non-Executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

BOARD COMMITTEES (CONTINUED)

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Nomination Committee oversees the implementation of the Board Diversity Policy, reviews the existing policy as appropriate to ensure its effectiveness, and recommends proposals for revisions for the Board's approval.

Biographical details of existing Directors are set out in "(2) Biography of Directors and senior management" of the "(VIII) Basic Information on Directors, Senior Management and Employees" section of this report. There is currently one female Director on the Board. The Board currently comprises experts from diversified professions such as accounting, finance, law and management with diversification in terms of gender, age, duration of service, etc. Advancing the enhancement of management standard and the further standardisation of corporate governance practices, which results in a more comprehensive and balanced Board structure and decision-making process. Each Director brings to the Board different views and perspectives. Both the Nomination Committee and the Board believe that the gender, age, educational background, professional experience, skills, knowledge and the duration of service of the Board members are in accordance with the Board Diversity Policy.

Executive Committee

The Executive Committee consists of three Executive Directors, namely Mr. LI Huibao, Ms. WU Ling-ling and Mr. HOU Jianguo. Mr. LI Huibao is the chairman of the Executive Committee.

The responsibility of the Executive Committee is to manage the overall business and to assist the Board in performing its duties. The Executive Committee is a standing committee of the Board and accountable to it.

Mr. HOU Jianguo has been appointed as an Executive Director and a member of the Executive Committee of the Company, with effect from 29 May 2021. Mr. CHANG Zhangli has resigned as the Chairman of the Board, an Executive Director and the chairman of the Executive Committee of the Company; Mr. LI Huibao has been appointed as the Chairman of the Board, an Executive Director and the chairman of the Executive Committee of the Company, with effect from 15 December 2021.

BOARD COMMITTEES (CONTINUED)

Corporate Governance Functions

The Audit Committee is responsible for performing the functions set out in the Code Provision A.2.1 of the CG Code.

During the year, the Audit Committee met 7 times to review the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Independent Non-Executive Directors have attended general meetings to gain and develop a balanced understanding of the view of Shareholders.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM ON OPERATIONS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has arranged the Audit Committee to review and supervise relevant matters.

During the Reporting Period, pursuant to the requirements of the Company Laws, the Articles of Association, the requirements of the Stock Exchange and relevant laws and regulations, with an aim to establish a comprehensive corporate governance structure and speed up the transformation of internal management, the Group has continuously endeavoured to amend and improve various systems, thereby it has established a comparatively sound internal control system. During the Reporting Period, the internal audit department of the Group proceeded with supervision and examination on the implementation of the risk management and internal control system, and ensured the effective implementation of the internal control system and the continued improvement of the risk management standard and operation quality through regular or irregular special auditing on the operating activities of the Group. Details are as follows:

(1) Production management: The Group maintained a product planning, implementation and monitoring system. After discussion, the Group issues annual and monthly production plans on a unified basis. In accordance with real-time statistical data generated by the production digital system, the Monitoring Department at the Group's headquarters carries out daily reporting, weekly dispatch and monthly analysis. The Technical Department provides technical consultation to ensure smooth implementation of the production plan.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM ON OPERATIONS (CONTINUED)

(2) Equipment management: The Group has established an equipment examination and process overhaul system. The overhaul of small equipment of subsidiaries is carried out by themselves after approval. The overhaul of large equipment is carried out by the Technical Department of the Group. Strict acceptance procedures are implemented. The Technical Department monitors data on the operation of equipment to prevent equipment breakdown and accident.

(3) Quality control: The Group enforces national quality standards and implements real-time quality control. The Quality Control Department inspects samples of the subsidiaries and new product research and development to ensure products of the Group attain national standards.

(4) Financial management: The Group maintains a budgetary system, formulates a set of unified financial management procedures and supervises the financial manager appointment procedures to ensure their independence. It also implements a centralized funding management system. All financing activities are approved by the Group's headquarters and financing sources are arranged on unified channels. The Group implements a strict funding approval procedure. The Group's Treasury Department supervises the use of fund through the funding settlement centre to prevent funding risks.

(5) Material procurement management: The Group has established a set of material procurement procedures to implement unified bidding procedures and to make purchases by comparing quality and prices for coal, spare parts, supplies and equipment. The Group and its subsidiaries control material procurement risks by monitoring quality, price, inventory and payment through the "one vehicle one inspection, one vehicle one settlement" system for raw materials, and the intelligent storage management system for spare parts.

(6) Sales management: The Group implements unified policies for regional market development, pricing and product sales, and has been carrying out a "cash before delivery" selling a policy to non-major ordinary customers. The Sales and Marketing Department of the Group monitors invoicing, goods delivery and pricing of its subsidiaries through the intelligent sales system, and collects market information and customer feedbacks to the Group for improvement of product quality and sales service.

(7) Project investment management: The Group formulates medium-to-long-term development strategic plans and submits results for approval by the Board before implementation. For construction projects, the Engineer Department at the Group's headquarters carries out project design. The Strategic Department is responsible for project construction management and production debugging. The Audit Department performs an audit of project budgets and final accounts.

(8) Human resources management: The Group maintains policies and procedures for contract management, employment, work and rest, performance appraisal, rewards and punishment, and has developed staffing and wage standards on a unified basis for its subsidiaries. The Human Resources Department of the Group has implemented supervision to control employment risks. The Group implements a unified talent recruitment and development plan.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM ON OPERATIONS (CONTINUED)

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Reporting Period.

The Board, as supported by the Audit Committee as well as the management report, reviewed the risk management and internal control systems annually, including the financial, operational and compliance controls, for the Reporting Period, and believed that such systems are effective and sufficient. From now on, the Group will continually improve the establishment and implementation of the risk management and internal control system by reference to the guidelines of the listed companies issued by the Stock Exchange.

INSIDE INFORMATION

The Board is responsible for the handling and dissemination of inside information. In order to ensure that the market and Shareholders are fully and promptly informed about the material developments of the Company's business, the Board has adopted the Inside Information Disclosure Policy regarding the procedures of proper information disclosure. The release of inside information is subject to the approval of the Board. Unless official authorization is obtained, all staff members of the Company shall not disclose the inside information to any external parties and shall not respond to market speculation and rumors. In addition, all external presentation materials or publications must be pre-vetted before release.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the Financial Statements is set out in the Independent Auditors' Report on pages 90 to 95.

AUDITORS' REMUNERATION

The Company appointed Moore Stephens CPA Limited as the external auditors of the Company.

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2021 amounted to RMB6,150,000 and RMB900,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company, Moore Stephens CPA Limited, in respect of audit services and non-audit services for the year ended 31 December 2021 is set out below:

Service Category	**Total Fees (Paid and Payable)** *(RMB'000)*
Audit Services	6,150
Non-audit Services	
– Agreed-upon procedures of 2021 interim report	900
	7,050

COMPANY SECRETARY

Ms. LEE Mei Yi of Tricor Services Limited, an external service provider, was appointed as the Company Secretary on 16 December 2019. Ms. LEE had duly complied with the training requirement under Rule 3.29 of the Listing Rules. The primary contact person at the Company is Ms. WU Ling-ling, an Executive Director of the Company.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels. The Company has in place a Shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a dividend policy on payment of dividends. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the dividend policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting/Right to call an Extraordinary General Meeting

To protect all Shareholders in their exercise of rights, the Company convenes an annual general meeting each year and extraordinary general meetings whenever the Board considers appropriate in accordance with the Articles of Association.

General meetings will also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong (or in the event the Company ceases to have such a principal office, the registered office) specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong (or in the event the Company ceases to have such a principal office, the registered office) specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which carries the right of voting at general meetings of the Company.

SHAREHOLDERS' RIGHTS (CONTINUED)

Putting Forward Proposals at General Meetings

1. To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her proposal ("**Proposal**") with his/her detailed contact information at the Company's principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2. The request will be verified with the Company's Hong Kong Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

3. The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

   (a) At least 14 clear days' and 10 clear business days' notice in writing if the Proposal constitutes an ordinary resolution in an extraordinary general meeting of the Company;

   (b) At least 21 clear days' and 10 clear business days' notice in writing if the Proposal constitutes a special resolution of the Company in an extraordinary general meeting of the Company or an ordinary resolution of the Company in an annual general meeting of the Company.

The written requisition clearly specifying the objects of the meeting by the requisitionists is required. Shareholders are able to put forward their inquiries to the Board through communication with Company Secretary by email and telephone number indicated in the paragraph headed "2. Basic Corporate Information" of "(II) Corporate Information" of this report.

On 29 May 2021, the Company convened an annual general meeting, at which five ordinary resolutions (including the re-election of directors, election of director, reappointment of auditors and granting general mandates to the Board) were approved and adopted. Details of which were disclosed in the announcement of the Company dated 29 May 2021 in relation to the poll results of the annual general meeting.

SHAREHOLDERS' RIGHTS (CONTINUED)

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
(For the attention of the Board of Directors)
Fax: 2956 2192

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

During the year under review, no changes were made by the Company to the Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

(X) Major Events

1. MATERIAL LITIGATION IN THE CAYMAN ISLANDS

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

Tianrui International, a Shareholder of the Company, presented a petition seeking to wind up the Company (the "**Cayman Petition**") before the Grand Court of the Cayman Islands (the "**Grand Court**"). The Company has appointed legal counsel in relation to the Cayman Petition.

On 21 March 2019, the Company announced that it was considering applying for a validation order (the "**VO Application**") from the Grand Court to sanction the deposit of share certificates into the Central Clearing and Settlement System ("**CCASS**") of Hong Kong, and asking shareholders who wish to have their share certificates included in any such application for a validation (the "**Requesting Shareholders**") to submit a written request to the Company. On 29 March 2019 (Cayman Islands time), the Company made the VO Application to the Grand Court to, among others, validate the transfer of shares held by the Requesting Shareholders to HKSCC Nominees Limited, the common nominee for shares deposited in CCASS. On 12 September 2019, the Grand Court granted the VO Application and ordered (among other things) the validation of any transfer of shares to HKSCC Nominees Limited by the Company's shareholders and that any such transfer shall not be avoided in the event of any order for the winding-up of the Company (the "**Share Transfer Order**"). On the same day that the judgment was handed down, the Grand Court also granted the petitioner, Tianrui International, leave to appeal against its decision to the Court of Appeal. On 18 February 2020 (Cayman Islands time), the Court of Appeal allowed this appeal and reversed the Share Transfer Order. The Company has applied for leave to appeal against the Court of Appeal's decision from the Privy Council which was refused by the Privy Council on 29 September 2021.

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

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

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

The Company renewed its application for leave to appeal against the decision on the Writ Application on 15 March 2021 and leave to appeal was granted by the Cayman Islands Court of Appeal on 8 April 2021. The Company filed its appeal on 12 April 2021 and the appeal was heard on 10 November 2021. There is no outcome yet and the Court of Appeal's decision remains reserved.

(X) Major Events (Continued)

1. MATERIAL LITIGATION IN THE CAYMAN ISLANDS (CONTINUED)

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

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

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

On 19 March 2021, the Petition was served on CNBM and ACC. Thereafter, at a further hearing of the Summons on 16 July 2021, the Grand Court ordered that the Petition be treated as an inter-party proceeding between Tianrui International, CNBM and ACC, save that the Company may also participate for the purpose of discovery and to be heard regarding the appropriate remedy should the Petition be granted. At the hearing, Tianrui International conceded that the only relief it was seeking in the winding-up proceedings was the liquidation of the Company and was ordered to amend its Petition accordingly. The Grand Court also granted leave to Tianrui International to amend the Writ to confine the relief it is seeking to declarations that (i) the exercise by the Company's directors of the power to issue certain convertible bonds on or about 8 August 2018 and/or on about 3 September 2018 was not a valid exercise of the said power; (ii) the exercise by the directors on 30 October 2018 of the power to convert the aforesaid bonds and the power to issue new shares was not a valid exercise of the said powers; and (iii) the exercise by the directors of the power to issue all other shares and securities in the Company after 1 August 2018 was not a valid exercise of the said power. The parties to the Petition are currently dealing with the timetable for the discovery process in those proceedings.

For further details, please refer to the announcements published by the Company on 4 September 2018, 20 September 2018, 12 October 2018, 16 October 2018, 23 October 2018, 29 October 2018, 14 November 2018, 13 December 2018, 18 January 2019, 22 January 2019, 15 February 2019, 21 March 2019, 1 April 2019, 17 April 2019, 5 June 2019, 17 September 2019, 19 February 2020, 7 April 2020 and 24 March 2021.

2. MATERIAL LITIGATION IN HONG KONG

HCA 2880 of 2015 and CACV 91 of 2020

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

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

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

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

On 24 December 2015, the Company obtained interlocutory injunction orders (the "**December Injunction Orders**") against ZHANG Caikui, ZHANG Bin, LI Cheung Hung, CHANG Zhangli and WU Ling-ling compelling them to (inter alia) disclose and deliver the Group's Records to the Company. On 8 January 2016, the December Injunction Orders (as varied) continued and the Company obtained further interlocutory injunction orders (the "**January Injunction Orders**") against the Zhangs to (inter alia) restrain them from acting upon or exercising any power or entitlement pursuant to the unlawfully altered articles of association of Shandong Shanshui and execute amendments to the said unlawfully altered articles of association of Shandong Shanshui, to invalidate or reverse the unlawful amendments. The January Injunction Orders remain in effect as of 31 December 2021.

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

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

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

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

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

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

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

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

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

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

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

On 11 June 2020, leave was granted by the court to (inter alia) the parties to adduce expert evidence on various questions of Mainland Chinese law, and to the Zhangs to amend their Defence and to the Company to amend its Reply to the Amended Defence of the Zhangs. The Zhangs filed the Amended Defence on 12 June 2020 and their Expert Report on Mainland Chinese law on 30 July 2020. The Company filed its Amended Reply to the Amended Defence of the Zhangs on 3 September 2020.

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

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

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

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

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

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

There are currently two main outstanding interlocutory applications in this action:

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

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

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

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

HCA 548 of 2019

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

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

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

On 14 August 2019, three of the Defendants (Tianrui International, Tianrui Group and LI Liufa) filed an application with the Hong Kong Court to (i) set aside the service of the Writ of Summons on Tianrui International, and/or (ii) stay this proceeding pending the determination of the winding-up petition issued by Tianrui International against the Company in the Cayman Islands in FSD161/2018. This application was dismissed by the Hong Kong court on 7 December 2020.

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

3. MATERIAL LITIGATION IN THE PRC

As of the date of this report, there are 3 cases in which Shandong Shanshui has received the notice of the People's Court but has yet to close the case; using a litigation status of plaintiff, defendant or third party as standard, unsettled litigations of Shandong Shanshui can be divided into three categories.

(1) There is 1 unsettled litigation with Shandong Shanshui as defendant: earning distribution dispute of the Company with the subject matter of the litigation approximately RMB10,702,500.

(2) There is 1 unsettled litigation with Shandong Shanshui as plaintiff: equity transfer dispute, with the subject matter of the litigation approximately RMB30,119,500.

(3) There is 1 unsettled litigation with Shandong Shanshui as third party: trademark administrative dispute, without any amount for the subject matter of the litigations, of which is in the first instance.

4. PUBLIC FLOAT

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

Independent Auditor's Report

MOORE

Moore Stephens CPA Limited

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Kowloon, Hong Kong

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www.moore.hk

大華馬施雲
會計師事務所有限公司

To the shareholders of China Shanshui Cement Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Shanshui Cement Group Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 98 to 246, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Impairment assessment on property, plant and equipment, right-of-use assets and intangible assets	
We identified the impairment assessment on property, plant and equipment, right-of-use assets and intangible assets belonging to certain cash-generating units as a key audit matter due to the involvement of significant judgements and assumptions in estimating the recoverable amounts of the cash-generating units to which property, plant and equipment, right-of-use assets and intangible assets have been allocated. With reference to the financial performance of certain cash-generating units (being subsidiaries acquired in previous acquisitions), the management considered that indications of impairment of certain property, plant and equipment, right-of-use assets and intangible assets of the Group existed as at 31 December 2021. Accordingly, the management assessed whether there was any impairment of the property, plant and equipment, right-of-use assets and intangible assets used by those cash-generating units at 31 December 2021 by preparing value in use calculations. The value in use calculations require the Group to estimate the future cash flows expected to arise from the cash-generating units and suitable discount rates in order to calculate the present value. The carrying amounts of property, plant and equipment, right-of-use assets and intangible assets for which the management has performance impairment assessment as at 31 December 2021 are RMB15,963,349,000, RMB2,340,463,000 and RMB1,295,554,000, respectively, as disclosed in notes 14, 15 and 16, respectively, to the consolidated financial statements.	Our procedures in relation to the impairment assessment on property, plant and equipment, right-of-use assets and intangible assets included: • We obtained an understanding of the management's process and basis adopted in preparing the cash flow forecasts, including significant assumptions; • We challenged the key assumptions adopted by the management, including growth rates and gross margin, by referring to the industry information and the management's budget; • We assessed the key factors in determining the discount rates, including the cash-generating unit's debt and equity ratio, return on investments and other risk factors, and comparing to discount rates adopted in the cement industry for reasonableness; • We compared the expected changes in projected sales volume, selling prices and direct costs used against historical performance and discussed with the management on revenue growth strategies and cost initiatives in respect of the cash-generating unit; and • We evaluated the sensitivity analysis performed by the management in respect of the growth rates and discount rates to assess the extent of impact on the calculations of the value in use.

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Assessment of loss allowance for expected credit losses on trade and bills receivables and other receivables</td></tr>
<tr><td>We identified the assessment of loss allowance for expected credit losses on trade and bills receivables and other receivables as a key audit matter as the assessment of excepted credit losses involved high level of estimation uncertainty and required exercise of significant management judgement.

The carrying amounts of trade and bills receivables and other receivables for which the management has performed assessment of loss allowance for expected credit losses as at 31 December 2021 are RMB2,289,310,000 and RMB1,283,150,000 respectively as disclosed in note 36(b)(i) to the consolidated financial statements. Impairment loss on trade and bills receivables and other receivables of approximately RMB44,393,000 and RMB36,453,000 respectively were recognised during the year.</td><td>Our procedures to evaluate the assessment of loss allowance for expected credit losses on trade and bill receivables and other receivables included:

• We obtained an understanding on the management's process for credit risk assessment and impairment assessment of allowance for expected credit losses on trade and bills receivables and other receivables;

• We tested, on a sample basis, the accuracy of aging of trade and bills receivables balances based on invoice date and due date as at the end of the reporting period to the underlying invoices; and

• For the collectively assessed expected credit losses, we assessed the reasonableness of the Group's expected credit losses models, including the model inputs, model design, model performance for significant portfolios.</td></tr>
</table>

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view of the Company in accordance with IFRSs promulgated by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Moore Stephens CPA Limited
Certified Public Accountants

Cheung Sai Kit
Practising Certificate Number: P05544

Hong Kong, 21 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	6(a)	**24,659,544**	20,891,454
Cost of sales		**(17,399,995)**	(13,926,789)
Gross profit		**7,259,549**	6,964,665
Other income	7	**464,126**	542,104
Impairment losses on trade receivables, net		**(44,393)**	(43,582)
Impairment losses on other receivables, net		**(36,453)**	(31,727)
Selling and marketing expenses		**(809,858)**	(681,168)
Administrative expenses		**(1,472,882)**	(1,358,311)
Other net expenses	8	**(434,067)**	(50,980)
Expenses incurred during off-peak suspension		**(727,742)**	(681,889)
Profit from operations		**4,198,280**	4,659,112
Finance costs	9(a)	**(231,734)**	(347,110)
Share of results of associates		**37,637**	21,588
Profit before taxation	9	**4,004,183**	4,333,590
Income tax expense	10(a)	**(1,109,336)**	(1,059,200)
Profit for the year		**2,894,847**	3,274,390
Attributable to:			
Equity shareholders of the Company		**2,777,298**	3,186,993
Non-controlling interests		**117,549**	87,397
Profit for the year		**2,894,847**	3,274,390
Earnings per share	13		
Basic *(RMB)*		**0.64**	0.73
Diluted *(RMB)*		**0.64**	0.72

The notes on pages 105 to 246 form parts of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Note	**2021** **RMB'000**	2020 RMB'000
Profit for the year		**2,894,847**	3,274,390
Other comprehensive income/(expense)			
Item that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit obligations	29(c)	**(420)**	5,800
Exchange differences arising on translation from functional currency to presentation currency		**11,499**	15,934
Other comprehensive income for the year		**11,079**	21,734
Total comprehensive income for the year		**2,905,926**	3,296,124
Attributable to:			
Equity shareholders of the Company		**2,788,377**	3,208,727
Non-controlling interests		**117,549**	87,397
Total comprehensive income for the year		**2,905,926**	3,296,124

The notes on pages 105 to 246 form parts of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	**31 December 2021** ***RMB'000***	31 December 2020 *RMB'000*
Non-current assets			
Property, plant and equipment	14	**15,963,349**	15,717,501
Right-of-use assets	15	**2,340,463**	2,304,350
Intangible assets	16	**1,295,554**	995,994
Goodwill	17	**90,132**	90,132
Other financial assets	18	**20,920**	44,622
Interests in associates	19	**316,660**	320,535
Deferred tax assets	33(a)	**214,911**	168,039
Other long-term assets	22(b)	**935,215**	857,888
		21,177,204	20,499,061
Current assets			
Inventories	20	**2,761,944**	2,288,043
Trade and bills receivables	21	**2,289,310**	2,319,478
Prepayments and other receivables	22(a)	**1,283,150**	905,110
Derivative component of convertible bonds	31	**-**	243,747
Restricted bank deposits	23	**28,908**	20,771
Bank balances and cash	23	**1,423,171**	1,401,233
		7,786,483	7,178,382
Current liabilities			
Bank loans – amount due within one year	24	**2,392,750**	1,544,749
Other borrowings	25	**909**	330,909
Current portion of long-term bonds	26	**-**	321,000
Trade payables	27	**3,737,635**	3,605,201
Other payables and accrued expenses	28(a)	**2,283,495**	2,480,568
Contract liabilities	28(b)	**527,927**	732,802
Taxation payable		**390,574**	267,584
Convertible bonds	31	**-**	543,263
Lease liabilities	32	**9,852**	13,419
		9,343,142	9,839,495
Net current liabilities		**(1,556,659)**	(2,661,113)
Total assets less current liabilities		**19,620,545**	17,837,948

Consolidated Statement of Financial Position (Continued)

At 31 December 2021

	Notes	**31 December 2021 RMB'000**	31 December 2020 RMB'000
Non-current liabilities			
Bank loans - amount due after one year	24	**135,000**	1,117,000
Other borrowings	25	**–**	909
Long-term bonds	26	**–**	115,000
Long-term payables	28(c)	**263,423**	253,741
Defined benefit obligations	29(c)	**107,730**	111,460
Deferred income	30	**243,104**	222,844
Lease liabilities	32	**53,023**	59,574
Deferred tax liabilities	33(a)	**64,383**	75,403
		866,663	1,955,931
Net assets		**18,753,882**	15,882,017
Capital and reserves			
Share capital	35(a)	**295,671**	295,671
Share premium		**8,235,037**	8,235,037
Share capital and share premium		**8,530,708**	8,530,708
Other reserves		**9,957,526**	7,172,090
Total equity attributable to equity shareholders of the Company		**18,488,234**	15,702,798
Non-controlling interests		**265,648**	179,219
Total equity		**18,753,882**	15,882,017

The consolidated financial statements on pages 98 to 246 were approved and authorised for issue by the Board of Directors on 21 March 2022.

LI Huibao
Director

WU, Ling-ling
Director

The notes on pages 105 to 246 form parts of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserves *RMB'000*	Other reserves *RMB'000*	Exchange reserve *RMB'000*	Accumulated profit *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2020	**295,671**	**8,235,037**	**1,737,397**	**268,501**	**(388,070)**	**2,348,664**	**12,497,200**	**103,239**	**12,600,439**
Profit for the year	–	–	–	–	–	3,186,993	3,186,993	87,397	3,274,390
Other comprehensive income for the year	–	–	–	–	15,934	5,800	21,734	–	21,734
Total comprehensive income for the year	–	–	–	–	15,934	3,192,793	3,208,727	87,397	3,296,124
Transfer between reserves	–	–	162,235	–	–	(162,235)	–	–	–
Appropriation to maintenance and production funds	–	–	118,745	–	–	(118,745)	–	–	–
Utilisation of maintenance and production funds	–	–	(102,636)	–	–	102,636	–	–	–
Acquisition of non-controlling interests without a change in control	–	–	–	(3,129)	–	–	(3,129)	529	(2,600)
Distribution to non-controlling interests	–	–	–	–	–	–	–	(11,946)	(11,946)
At 31 December 2020	**295,671**	**8,235,037**	**1,915,741**	**265,372**	**(372,136)**	**5,363,113**	**15,702,798**	**179,219**	**15,882,017**
At 1 January 2021	**295,671**	**8,235,037**	**1,915,741**	**265,372**	**(372,136)**	**5,363,113**	**15,702,798**	**179,219**	**15,882,017**
Profit for the year	–	–	–	–	–	2,777,298	2,777,298	117,549	2,894,847
Other comprehensive income for the year	–	–	–	–	11,499	(420)	11,079	–	11,079
Total comprehensive income for the year	–	–	–	–	11,499	2,776,878	2,788,377	117,549	2,905,926
Transfer between reserves	–	–	121,775	–	–	(121,775)	–	–	–
Appropriation to maintenance and production funds	–	–	112,052	–	–	(112,052)	–	–	–
Utilisation of maintenance and production funds	–	–	(86,501)	–	–	86,501	–	–	–
Acquisition of non-controlling interests without a change in control	–	–	–	(2,941)	–	–	(2,941)	(8,470)	(11,411)
Distribution to non-controlling interests	–	–	–	–	–		–	(22,650)	(22,650)
Lapse of share options scheme	–	–	–	(22,129)	–	22,129	–	–	–
At 31 December 2021	**295,671**	**8,235,037**	**2,063,067**	**240,302**	**(360,637)**	**8,014,794**	**18,488,234**	**265,648**	**18,753,882**

The notes on pages 105 to 246 form parts of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Operating activities			
Profit before taxation		**4,004,183**	4,333,590
Adjustments for:			
Depreciation	9(c)	**1,273,684**	1,335,682
Amortisation of intangible assets	9(c)	**151,823**	165,925
Amortisation of deferred income	7	**(13,949)**	(14,345)
Impairment losses on property, plant and equipment	8	**172,074**	39,224
Impairment losses on trade receivables, net		**44,393**	43,582
Impairment losses on other receivables, net		**36,453**	31,727
Impairment losses on inventories	9(c)	**10,121**	41,345
Finance costs	9(a)	**231,734**	347,110
Share of results of associates		**(37,637)**	(21,588)
Interest income	7	**(35,157)**	(15,043)
Net (gain)/loss from disposal of property, plant and equipment	8	**(15,407)**	16,363
Loss on fair value changes of financial assets at FVTPL	8	**1,992**	473
Loss/(gain) on fair value changes of derivative component of convertible bonds	8	**242,667**	(72,042)
Waiver of interest expenses	7	**(54,800)**	(100,688)
Net foreign exchange loss/(gain)	8	**4,864**	(5,246)
		6,017,038	6,126,069
Changes in working capital:			
Increase in inventories		**(484,022)**	(334,222)
Increase in trade and bills receivables		**(14,225)**	(425,568)
Increase in prepayments and other receivables		**(392,783)**	(237,276)
(Increase)/decrease in restricted bank deposits		**(8,137)**	20,914
Increase in other long-term assets		**(62,675)**	(73,881)
Increase/(decrease) in trade payables		**132,434**	(136,345)
(Decrease)/increase in other payables and accrued expenses		**(224,360)**	330,563
Decrease in defined benefit obligations		**(4,150)**	(4,860)
Increase in deferred income		**34,209**	2,040
Decrease in long-term payables		**(989)**	(35,902)
Cash generated from operations		**4,992,340**	5,231,532
Interest paid		**(395,030)**	(584,697)
Income tax paid		**(1,044,238)**	(1,137,163)
Net cash generated from operating activities		**3,553,072**	3,509,672

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2021

	Note	**2021** **RMB'000**	2020 RMB'000
Investing activities			
Interest received		**35,157**	15,043
Payment for purchase of property, plant and equipment		**(1,462,904)**	(978,001)
Payment for purchase of intangible assets		**(452,114)**	(271,162)
Deposit paid for purchase of property, plant and equipment		**(240,037)**	(271,456)
Payment for purchase of land lease prepayments (included in right-of-use assets)		**(105,214)**	(44,472)
Proceeds from disposals of property, plant and equipment		**86,416**	97,751
Dividend received from associates		**41,512**	–
Refund of deposit paid for acquisition of financial assets of FVTPL		**–**	62,762
Proceeds from disposals of intangible assets		**–**	39,856
Proceeds from reduction in capital of other financial assets		**–**	24,500
Proceeds from reduction in capital of an associate		**–**	19,800
Payment for acquisitions of subsidiaries in prior year		**–**	(20,000)
Net cash used in investing activities		**(2,097,184)**	(1,325,379)
Financing activities			
Repayment of loans and borrowings		**(1,875,658)**	(2,981,829)
Redemption of convertible bonds		**(487,152)**	–
Repayment of long-term bonds		**(436,000)**	(935,500)
Dividends paid to non-controlling interests		**(22,650)**	(11,946)
Repayment of lease liabilities		**(17,739)**	(24,147)
Acquisition of non-controlling interests without a change in control		**(11,411)**	(2,600)
Proceeds from new loans and borrowings		**1,410,750**	1,820,749
Net cash used in financing activities		**(1,439,860)**	(2,135,273)
Net increase in cash and cash equivalents		**16,028**	49,020
Cash and cash equivalents at 1 January		**1,401,233**	1,364,054
Effect of foreign exchange rate changes		**5,910**	(11,841)
Cash and cash equivalents at 31 December, representing bank balances and cash		**1,423,171**	1,401,233

Significant non-cash transaction:

During the year ended 31 December 2021, deposits paid for purchase of property, plant and equipment amounting to RMB225,385,000 (2020: RMB153,237,000) was transferred to property, plant and equipment upon completion of installation of relevant assets.

The notes on pages 105 to 246 form parts of these consolidated financial statements.

1. GENERAL INFORMATION

China Shanshui Cement Group Limited (the "**Company**") is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company's functional currency is the United States dollar ("**USD**" or "**US$**"). However, the presentation currency of the consolidated financial statements is the RMB in order to present the financial performance and financial position of the Group based on the economic environment in which the operating subsidiaries of the Group operate.

The Company is an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 42 and 19, respectively.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by International Accounting Standard Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

The application of the amendments to IFRSs in the current year had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 3	Reference to Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 16	Covid-19-Related-Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with IFRSs, the collective terms of which include all applicable individual IFRSs, International Accounting Standards and Interpretations issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measure at fair values, as explained in accounting policies set out as per note 4.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 “Share-based payment”, leasing transactions that are accounted for in accordance with IFRS 16 “Leases” and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 “Inventories” or value in use in IAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out as per note 4.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations or asset acquisitions (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's "Framework for the Preparation and Presentation of Financial Statements" (replaced by the "Conceptual Framework for Financial Reporting" issued in September 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share- based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash- generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash- generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in change in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (Continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue is recognised when the control of goods was transferred to a customer, as described below.

(i) Sales of goods

Revenue is recognised when goods (including cements, clinkers, concrete and other products) are transferred to customers which are taken to be the point in time when the customer has control on the goods and thus, the performance obligation was satisfied. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Services rendered

Revenue from the rendering of delivery service is recognised over time by reference to the progress of which the customer simultaneously receives and consumes the benefits when the delivery service is provided by the Group.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects in the consolidated financial statements would not differ materially from individual leases within the portfolio.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of plants and buildings, equipment, motor vehicles and land lease prepayment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight- line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 “Financial Instruments” (“IFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Exchange differences relating to the retranslation of the Group's net assets in United States Dollars ("USD") to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in exchange reserve. Such exchange differences accumulated in the exchange reserve are not reclassified to profit or loss subsequently.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense on the net defined benefit liability are recognised in profit or loss and allocated by function as part of "cost of sales", "selling and marketing expenses" or "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Net interest expense for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability. The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

(ii) Defined benefit retirement plan obligations (Continued)

When the benefits of a plan are changed, or when a plan is curtailed, current service cost for the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised.

Remeasurements, comprising actuarial gains and losses, arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings.

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (other reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the other reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in other reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in other reserve will continue to be held in other reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right- of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use on the production or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised to write off the cost of assets, less their residual value over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives of property, plant and equipment are as follows:

Plants and buildings	10–40 years
Equipment	10–20 years
Motor vehicles and others	5–10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as interest expense capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses. Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred. Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives from the date they are available for use. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. A trademark acquired in a business combination in previous years that the directors of the Company are of the opinion that the trademark has good reputation in the local area are renewable continuously at minimal cost and the Group has the ability to do so. Accordingly, the trademark has indefinite useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

The estimated useful lives are over the shorter of the terms of the respective contractual rights (if any) or are as follows:

Limestone mining rights	1–50 years
Customer relationships	5 years
Trademarks	1–10 years
Software and others	5–10 years

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro- rata basis based on the carrying amount of each asset in the unit or the group of cash generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash- generating unit or the group of cash generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or the group of cash generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade and bills receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets "FVTPL" and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income (Continued)

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" in profit or loss.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes/excludes any dividend or interest earned on the financial asset and is included in the "other net expenses" line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including certain other financial assets, assessment trade and bills receivables and other receivables and prepayments) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and bills receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due with the reference of credit history of customers settlement days unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECl on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without under cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade and bills receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, other payables, bank loans, other borrowings, long-term bonds and long-term payables) are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9/IAS 39 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bonds, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible bonds

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, if the entire convertible bond instrument is not designated as at FVTPL, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible loan notes using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety at fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts that are not financial assets within the scope of IFRS 9 are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of the group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Impairments

– Property, plant and equipment, right-of-use assets and intangible assets

In considering the impairment losses that may be required for the property, plant and equipment, right-of-use assets and intangible assets of certain subsidiaries located in the Shandong Province, Shanxi Province and Northeastern China, the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of fair value less cost of disposal and the value in use. It is difficult to precisely estimate fair value less cost of disposal because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which require significant judgement relating to items such as the discount rates, growth rates and the projected sales volume, selling price, direct costs, gross margin and other related expenses. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, or upward revision of discount rate, a material impairment loss or a further impairment loss may arise. The management also conducted a review of the Group's production assets, details of the review are disclosed in note 14.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(i) Impairments (Continued)

– Property, plant and equipment, right-of-use assets and intangible assets (Continued)

As at 31 December 2021, the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets are RMB15,963,349,000, RMB2,340,463,000 and RMB1,295,554,000, respectively (2020: RMB15,717,501,000, RMB2,304,350,000 and RMB995,994,000, respectively). During the year ended 31 December 2021, no impairment loss (2020: nil) has been recognised in respect of those property, plant and equipment, right-of-use assets and intangible assets of certain subsidiaries located in the Shandong Province, Shanxi Province and Northeastern China.

In addition, based on the review of the Group's production assets conducted by the management of the Group, certain assets of subsidiaries located at the Shandong Province were idle and/or obsolete and that it is expected that these assets will not generate future benefit to the Group. Accordingly, impairment loss of RMB172,074,000 (2020: RMB39,224,000) has been recognised in respect of those assets in the current year.

Details of the recoverable amount calculation and review of the Group's production assets are disclosed in notes 14, 15 and 16 respectively.

– Goodwill

Determining whether goodwill allocated to subsidiaries located in the Shandong Province and the Northeast China is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less cost of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit. In determining the value in use, expected cash flows generated by the cash-generating unit are discounted to their present values, which require significant judgement relating to items such as the discount rates, growth rates and the projected sales volume, selling price, direct costs, gross margin and other related expenses. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, or upward revision of discount rate, a material impairment loss or a further impairment loss may arise. As at 31 December 2021, the carrying amount of goodwill is RMB90,132,000 (2020: RMB90,132,000), which is net of accumulated impairment loss of RMB2,337,674,000 (2020: RMB2,337,674,000). Details of the recoverable amount calculation are disclosed in note 17.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(i) Impairments (Continued)

– Inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market condition. The Group will reassess the estimations at each statement of financial position date. As at 31 December 2021, carrying amount of inventories is RMB2,761,944,000 (2020: RMB2,288,043,000).

– Provision of ECL for trade and bills receivables and other receivables

Trade and bills receivables and other receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECL on trade and bills receivables which are not assessed individually using a provision matrix. The provision rates are based on internal credit ratings as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and bill receivables and other receivables are disclosed in note 36(b)(i).

As at 31 December 2021, the carrying amounts of trade and bills receivables and other receivables are RMB2,289,310,000 and RMB1,283,150,000, respectively (2020: RMB2,319,478,000 and RMB905,110,000, respectively).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(ii) Taxation

The Group assesses the tax effect of all transactions and make provision for tax obligations. The Group reviews the tax treatment of these transactions, considering all amendments of tax laws and regulations.

The Group consumed industrial waste in the production of cement and clinker. Such consumption may qualify for certain government subsidies and corresponding income tax exemptions pursuant to the applicable PRC tax laws and regulations. The tax refund or exemption is not recognised until the refund is received or the formal approval of exemption from the tax authorities is obtained.

As at 31 December 2021, deferred tax assets of RMB214,911,000 (2020: RMB168,039,000) have been recognised in the consolidated statement of financial position as disclosed in note 33. As the deferred tax assets cannot be recognised until the allowance is probable for deduction against future taxable profits, the Group estimates the expected realisation of future taxable profits. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially the uncertainty on how the COVID-19 pandemic may progress and evolve. The Group reviews the judgment continuously and recognises additional deferred tax assets if taxable profits are probable to be generated. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

(iii) Fair value measurement of financial instruments

As at 31 December 2021, the Group's investments in unquoted equity investments amounting to RMB15,005,000 (2020: RMB17,164,000) and the derivative component of the outstanding convertible bonds amounting to nil (2020: RMB243,747,000) as disclosed in notes 18 and 31, respectively are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 36(c) for further disclosures.

(iv) Actuarially determined benefit obligations

The Group assesses the actuarial assumptions and methodology periodically to ensure their reasonableness at each end of the reporting period.

The Group would assess the assumptions of recognition, such as the discount rate and the benefit increase rate to assess the reasonableness of the methodology adopted. Should any of these factors change significantly and render the existing method inappropriate, the Group will consider a more appropriate methodology.

6. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are manufacturing and sale of cement, clinker and concrete.

Revenue represents the sales value of cement, clinker and concrete supplied to customers, cement related products and the delivery services.

Revenue from sales of cement, clinker, concrete and other products are recognised when the goods are transferred at a point in time. The performance obligation is satisfied upon the delivery of the goods. Revenue from rendering of delivery services is recognised over time by reference to the progress of delivery services provided by the Group. The performance obligation is satisfied upon the completion of the delivery services.

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

	2021	2020
	RMB'000	*RMB'000*
Sales of cement	**20,137,864**	16,847,525
Sales of clinker	**2,381,060**	2,282,506
Sales of concrete	**1,509,257**	1,270,932
Sales of other products	**631,363**	490,491
	24,659,544	20,891,454

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 6(b).

(b) Segment reporting

As the Group operates in a single business, the manufacturing and sale of cement, clinker and concrete in the People's Republic, of China (the "PRC"), the Group's risk and rates of return are affected predominantly by differences in the areas it operates.

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

- Shandong Province – subsidiaries operating and located in the Shandong Province of the PRC.

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

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

(i) Segment results, assets and liabilities

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

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

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

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

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

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below.

	2021					2020				
	Shandong Province	**Northeastern China**	**Shanxi Province**	**Xinjiang Region**	**Total**	Shandong Province	Northeastern China	Shanxi Province	Xinjiang Region	Total
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue										
Point in time	**15,895,110**	**5,241,928**	**2,906,342**	**601,338**	**24,644,718**	13,506,179	4,361,481	2,526,467	490,049	20,884,176
Over time	**5,375**	**7,627**	**1,265**	**559**	**14,826**	5,874	863	541	–	7,278
Revenue from external customers	**15,900,485**	**5,249,555**	**2,907,607**	**601,897**	**24,659,544**	13,512,053	4,362,344	2,527,008	490,049	20,891,454
Inter-segment revenue	**1,201,413**	**38,967**	**86,437**	**–**	**1,326,817**	708,881	111,530	126,365	–	946,776
Reportable segment revenue	**17,101,898**	**5,288,522**	**2,994,044**	**601,897**	**25,986,361**	14,220,934	4,473,874	2,653,373	490,049	21,838,230
Reportable segment profit (adjusted profit before taxation)	**3,395,764**	**733,108**	**457,168**	**209,215**	**4,795,255**	3,785,143	431,464	501,174	172,922	4,890,703
Included in arriving at segment results are:										
Interest income	**12,121**	**22,422**	**603**	**11**	**35,157**	7,524	1,153	247	692	9,616
Interest expense	**27,502**	**8,893**	**6,766**	**–**	**43,161**	25,956	22,430	962	1,369	50,717
Depreciation and amortisation for the year	**726,724**	**360,626**	**284,414**	**53,743**	**1,425,507**	527,504	562,563	349,835	54,572	1,494,474
Impairment losses on property, plant and equipment	**168,834**	**451**	**2,789**	**–**	**172,074**	11,219	28,005	–	–	39,224
Impairment losses/(reversal of impairment) on trade receivables, net	**67,874**	**(4,026)**	**4**	**(5,774)**	**58,078**	35,802	4,210	(297)	3,867	43,582
Impairment losses/(reversal of impairment) on other receivables, net	**(52,124)**	**7,592**	**8,380**	**(15)**	**(36,167)**	5,664	20,056	393	2	26,115
Additions to property, plant and equipment, right-of-use assets and intangible assets during the year	**1,422,353**	**490,932**	**313,010**	**24,547**	**2,250,842**	1,006,816	225,671	141,664	68,373	1,442,524
Reportable segment assets	**14,564,111**	**8,156,963**	**5,122,441**	**941,528**	**28,785,043**	13,155,824	8,083,169	5,115,134	1,053,625	27,407,752
Reportable segment liabilities	**5,790,671**	**1,380,918**	**154,335**	**57,971**	**7,383,895**	5,440,585	1,524,080	300,098	164,570	7,429,333

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2021	2020
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**25,986,361**	21,838,230
Elimination of inter-segment revenue	**(1,326,817)**	(946,776)
Consolidated revenue	**24,659,544**	20,891,454
Profit		
Reportable segment profit	**4,795,255**	4,890,703
Elimination of inter-segment profit	**(251,947)**	(295,067)
Reportable segment profit derived from Group's external customers	**4,543,308**	4,595,636
Share of results of associates	**37,637**	21,588
Waiver of interest expenses	**54,800**	100,688
Loss on fair value changes of financial assets at FVTPL	**(1,992)**	(473)
(Loss)/gain on fair value changes of derivative component of convertible bonds	**(242,667)**	72,042
Unallocated finance costs	**(188,573)**	(296,393)
Unallocated head office administrative expenses	**(198,330)**	(159,498)
Consolidated profit before taxation	**4,004,183**	4,333,590

The accounting policies of the reportable segments are the same as the Group's accounting policies.

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (Continued)

	2021 **RMB'000**	2020 RMB'000
Assets		
Reportable segment assets	**28,785,043**	27,407,752
Elimination of inter-segment profit	**(36,914)**	(37,346)
Elimination of inter-segment receivables	**(676,833)**	(772,712)
	28,071,296	26,597,694
Deferred tax assets	**214,911**	168,039
Interests in associates	**316,660**	320,535
Derivative component of convertible bonds	**–**	243,747
Unallocated head office assets	**360,820**	347,428
Consolidated total assets	**28,963,687**	27,677,443
Liabilities		
Reportable segment liabilities	**7,383,895**	7,429,333
Elimination of inter-segment payables	**(676,833)**	(772,712)
	6,707,062	6,656,621
Deferred tax liabilities	**64,383**	75,403
Unallocated bank loans	**2,527,750**	2,423,749
Unallocated other borrowings	**909**	331,818
Unallocated long-term bonds	**–**	436,000
Convertible bonds	**–**	543,263
Unallocated head office liabilities	**909,701**	1,328,572
Consolidated total liabilities	**10,209,805**	11,795,426

(iii) Geographical information

The Group's revenue and non-current assets are arisen in and located in the PRC during both years.

(iv) Information about major customers

No single external customer contributed revenue from transactions amounting to 10% or more of the revenue of the Group during both years.

7. OTHER INCOME

	Notes	**2021** **RMB'000**	2020 RMB'000
Interest income		**35,157**	15,043
Government grants	(i)	**283,140**	322,117
Amortisation of deferred income	30	**13,949**	14,345
Waiver of interest expenses	25, 26	**54,800**	100,688
Others		**77,080**	89,911
		464,126	542,104

Note:

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

8. OTHER NET EXPENSES

	Notes	2021 RMB'000	2020 RMB'000
Net foreign exchange (loss)/gain		**(4,864)**	5,246
Net gain/(loss) from disposal of property, plant and equipment		**15,407**	(16,363)
Loss on fair value changes of financial assets at FVTPL		**(1,992)**	(473)
(Loss)/gain on fair value changes of derivative component of convertible bonds	31	**(242,667)**	72,042
Impairment losses on property, plant and equipment	14	**(172,074)**	(39,224)
Penalties *(note (i))*		**(2,264)**	(78,140)
Donations		**(18,300)**	(15,033)
Bad debt recovery		**2,626**	4,162
Others		**(9,939)**	16,803
		(434,067)	(50,980)

Note:

(i) The amount for the year ended 31 December 2020 mainly represented penalties amounting to RMB71,652,000 for certain litigations raised by certain suppliers and third parties against subsidiaries of the Group which have been judged by the PRC Court in 2020. The amount had been fully settled in 2021.

9. PROFIT BEFORE TAXATION

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

(a) Finance costs

	Notes	**2021** **RMB'000**	2020 RMB'000
Interest on bank loans		**124,787**	165,063
Interest on other borrowings and long-term bonds		**17,246**	85,979
Interest on lease liabilities		**3,127**	3,719
Effective interest expense on convertible bonds		**43,532**	72,013
Less: capitalised interest expenses	(i)	**(900)**	–
Net interest expenses		**187,792**	326,774
Bank charges		**33,271**	5,939
Unwinding of discount	(ii)	**10,671**	14,397
		231,734	347,110

Notes:

(i) The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation related to construction of was 4.9% per annum for the year ended 31 December 2021. (2020: nil)

(ii) This item represents the unwinding of discount for the following liabilities using the effective interest rate:

	Note	**2021** **RMB'000**	2020 RMB'000
Defined benefit obligations	29(c)	**3,460**	3,800
Long-term payables		**7,211**	10,597
		10,671	14,397

9. PROFIT BEFORE TAXATION (CONTINUED)

(b) Personnel expenses

	Note	2021 RMB'000	2020 RMB'000
Salaries, wages and other benefits		**1,614,812**	1,366,714
Bonus and awards		**298,056**	375,686
Staff's pension costs *(Note)*		**271,458**	142,265
Expense recognised in respect of defined benefit obligations	29(c)	**3,930**	4,330
		2,188,256	1,888,995

Note:

For the year ended 31 December 2020, Covid-19 related government assistance amounted to RMB168,905,000 had been offset against staff pension costs,

(c) Other items

	Notes	2021 RMB'000	2020 RMB'000
Amortisation			
– intangible assets	16	**151,823**	165,925
Depreciation			
– property, plant and equipment	14	**1,200,089**	1,260,032
– right-of-use assets	15	**73,595**	75,650
		1,273,684	1,335,682
Auditors' remuneration			
– audit and assurance services		**6,150**	6,000
– other services		**900**	950
		7,050	6,950
Cost of inventories sold		**17,389,874**	13,885,444
Impairment losses on inventories (included in cost of sales)		**10,121**	41,345

10. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss:

	2021 **RMB'000**	2020 RMB'000
Current tax		
Provision for PRC income tax	**1,157,356**	1,142,931
Under/(over) provision in respect of prior years	**9,872**	(49,929)
	1,167,228	1,093,002
Deferred tax		
Origination and reversal of temporary differences *(note 33(a))*	**(57,892)**	(33,802)
	1,109,336	1,059,200

10. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Notes	**2021** **RMB'000**	2020 RMB'000
Profit before taxation		**4,004,183**	4,333,590
Tax at the domestic income tax rate of 25% (2020: 25%)	(i)	**1,001,046**	1,083,398
Tax rate differential in foreign jurisdictions	(ii)	**17,899**	8,032
Tax effect of expenses not deductible for tax purpose		**139,308**	63,750
Tax effect of income not taxable for tax purpose		**(15,917)**	(23,080)
Tax effect of tax losses not recognised		**40,497**	111,504
Tax effect of unrecognised prior year's tax losses utilised during the year		**(55,501)**	(70,591)
Tax effect of deductible temporary differences not recognised		**58,565**	22,201
Tax effect of unrecognised prior year's deductible temporary differences utilised during the year		**(49,586)**	(38,878)
Effect of tax credit	(iii)	**(27,438)**	(39,984)
Under/(over) provision in respect of prior year		**9,872**	(49,929)
Tax effect of share of results of associates		**(9,409)**	(7,223)
Income tax expense		**1,109,336**	1,059,200
Effective tax rate		**27.7%**	24.4%

10. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates: (Continued)

Notes:

(i) The Group's PRC subsidiaries are subject to PRC income tax at the statutory rate of 25% (2020: 25%) unless otherwise specified.

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first Hong Kong dollars ("HK$" or "HKD") 2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Company and its subsidiaries incorporated in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (2020: 16.5%). No provision for Hong Kong Profits Tax has been made as the Company and the subsidiaries incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax during the year ended 31 December 2021 (2020: nil).

(iii) Tax credit represents income tax credit for purchase of certain energy saving equipment pursuant to the applicable PRC tax laws and regulations received by certain group companies during the year, These group companies are entitled to an income tax credit of 10% of the purchase price of the qualifying energy saving equipment purchased.

11. DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees *RMB'000*	Salaries, allowances and other benefits *RMB'000*	Contributions to defined contribution retirement plans *RMB'000*	Total *RMB'000*
For the year ended 31 December 2021				
Chairman, Executive director				
LI Huibao *(note(i))*	**–**	**–**	**–**	**–**
CHANG Zhangli *(note(ii))*	**–**	**–**	**–**	**–**
Executive director				
WU Ling-ling	**–**	**2,424**	**–**	**2,424**
HOU Jianguo *(note(iii))*	**–**	**–**	**–**	**–**
Independent Non-Executive Directors				
CHANG Ming-cheng	**–**	**1,212**	**–**	**1,212**
LI Jianwei	**–**	**797**	**–**	**797**
HSU you-yuan	**–**	**797**	**–**	**797**
Total	**–**	**5,230**	**–**	**5,230**
For the year ended 31 December 2020				
Chairman, Executive director				
CHANG Zhangli	–	–	–	–
Executive director				
WU Ling-ling	–	2,596	–	2,596
Independent Non-Executive Directors				
CHANG Ming-cheng	–	1,298	–	1,298
LI Jianwei	–	853	–	853
HSU you-yuan	–	853	–	853
Total	–	5,600	–	5,600

Notes:

(i) Mr. LI Huibao was appointed as an executive director and the chairman of the Company with effect from 15 December 2021.

(ii) Mr. CHANG Zhangli resigned as an executive director and the chairman of the Company with effect from 15 December 2021.

(iii) Mr. HOU Jianguo was appointed as an executive director of the Company with effect from 29 May 2021.

The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group for the year. The Independent Non-Executive Directors' emoluments shown above were for their services as directors of the Company for the year.

There was no arrangement under which a director or the Chairman waived or agreed to waive any remuneration during the year.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2021, of the five individuals with the highest emoluments in the Group, one (2020: one) individual was a director whose emoluments are disclosed in note 11. Besides, Mr Li Huibao was an employee before the appointment as a director of the Company and his emoluments before appointment as director are included in the disclosures below. The emolument of the remaining three individuals and Mr. Li Huibao (2020: four) in the capacity as an employee during the year ended 31 December 2021 are as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Salaries, allowances and other benefits	**9,462**	9,938
Contributions to defined contribution retirement plans	**248**	192
	9,710	10,130

The emoluments of the remaining three individuals with the highest remuneration and Mr. Li Huibao (2020: four) is within the following bands:

	2021 **Number of individuals**	2020 Number of individuals
HK$2,000,001 to HK$2,500,000 (equivalent to RMB1,660,000 to RMB2,075,000)	**2**	1
HK$2,500,001 to HK$3,000,000 (equivalent to RMB2,075,000 to RMB2,490,000)	**–**	2
HK$3,000,001 to HK$3,500,000 (equivalent to RMB2,490,000 to RMB2,905,000)	**1**	–
HK$3,500,001 to HK$4,000,000 (equivalent to RMB2,905,000 to RMB3,320,000)	**1**	1
	4	4

13. EARNINGS PER SHARE

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

	2021	2020
	RMB'000	*RMB'000*
Earnings figures are calculated as follows:		
Profit for the year attributable to equity shareholders of the Company and earnings for the purposes of basic earnings per share	**2,777,298**	3,186,993
Effect of dilutive potential ordinary shares		
Effective interest expense on convertible bonds	**N/A**	72,013
Gain on fair value changes of derivative component of convertible bonds	**N/A**	(72,042)
Earnings for the purpose of diluted earnings per share	**2,777,298**	3,186,964
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**4,353,966,228**	4,353,966,228
Effect of dilutive potential ordinary shares on convertible bonds	**N/A**	93,004,769
Weighted average number of ordinary shares for purpose of diluted earnings per shares	**4,353,966,228**	4,446,970,997

The computation of diluted earnings per share does not assume the exercise of the share options granted by the Company in 2011 and 2015 because exercise prices of these share options were higher than the average market price of the shares for the years ended 31 December 2021 and 2020.

For the year ended 31 December 2020, the computation of diluted earnings per share assumed the conversion of the Company's outstanding convertible bonds which was dilutive.

14. PROPERTY, PLANT AND EQUIPMENT

	Plants and buildings *RMB'000*	Equipment *RMB'000*	Motor vehicles and others *RMB'000*	Construction in progress *RMB'000*	Total fixed assets *RMB'000*
Cost:					
At 1 January 2020	13,641,355	14,629,639	627,639	331,243	29,229,876
Additions	52,770	156,663	35,292	885,367	1,130,092
Transfers	325,653	316,574	6,579	(648,806)	–
Disposals	(169,119)	(293,011)	(55,623)	–	(517,753)
At 31 December 2020	13,850,659	14,809,865	613,887	567,804	29,842,215
Additions	69,895	198,183	72,419	1,348,523	1,689,020
Transfers	347,124	776,236	10,827	(1,134,187)	–
Disposals	(43,212)	(313,305)	(93,773)	–	(450,290)
At 31 December 2021	**14,224,466**	**15,470,979**	**603,360**	**782,140**	**31,080,945**
Accumulated depreciation, amortisation and impairment:					
At 1 January 2020	(3,180,822)	(9,773,524)	(244,490)	(31,407)	(13,230,243)
Charge for the year	(337,206)	(880,972)	(41,854)	–	(1,260,032)
Impairment losses for the year	(4,175)	(27,179)	(5,606)	(2,264)	(39,224)
Written back on disposals	92,517	265,290	46,978	–	404,785
At 31 December 2020	(3,429,686)	(10,416,385)	(244,972)	(33,671)	(14,124,714)
Charge for the year	(340,931)	(817,789)	(41,369)	–	(1,200,089)
Impairment losses for the year	(9,396)	(162,148)	(19)	(511)	(172,074)
Written back on disposals	22,009	276,676	80,596	–	379,281
At 31 December 2021	**(3,758,004)**	**(11,119,646)**	**(205,764)**	**(34,182)**	**(15,117,596)**
Net book value:					
At 31 December 2021	**10,466,462**	**4,351,333**	**397,596**	**747,958**	**15,963,349**
At 31 December 2020	10,420,973	4,393,480	368,915	534,133	15,717,501

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) All plants and buildings and land are located in the PRC.

(b) Construction in progress ("CIP") mainly relates to technical improvement projects of cement and clinker production lines.

(c) As at 31 December 2021, the ownership certificates for certain plants and buildings with a carrying amount of RMB618,797,000 (2020: RMB666,923,000) have not been obtained. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the properties and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2021 and 2020.

(d) As at the date of approval of the consolidated financial statements, the Group is in the process of obtaining construction permits for certain clinker and cement production lines. The carrying amounts of the plants and buildings and equipments transferred from construction in progress in respect of these clinker and cement production lines as at 31 December 2021 were RMB859,353,000 and RMB546,471,000 respectively (2020: RMB970,305,000 and RMB518,425,000 respectively).

(e) Certain plants and buildings with an aggregate amount of RMB8,356,000 (2020: RMB8,712,000) for the year ended 31 December 2021 are pledged to secure bank loans (see note 24) granted to the Group.

(f) As at 31 December 2020, plants and buildings carried at RMB25,057,000 had been frozen by the PRC Court pending the outcome of the legal proceedings initiated by the Group's creditors relating to other borrowings and long-term bonds that had been overdue since November 2015 and January 2016, respectively. During the year ended 31 December 2021, as the abovementioned other borrowings and long-term bonds have been fully settled and the litigation has been resolved. Accordingly, the court has released the frozen plants and buildings as at 31 December 2021.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(h) For the years ended 31 December 2021 and 2020, the management performed impairment assessments on property, plant and equipment, right-of-use assets, intangible assets and goodwill of certain subsidiaries located in the Shandong Province, Shanxi Province and Northeastern China which suffered from continuous losses. The management assessed the recoverable amounts of these assets by assessing the recoverable amounts of the cash-generating units ("CGUs") representing the respective subsidiaries acquired in previous acquisitions to which they belong with reference to the value in use calculations of the CGUs. The value in use calculations use cash flow projections based on the financial budgets approved by the management covering a one-year period with suitable growth rates for the following four years. The cash flows beyond the five-year period are extrapolated using suitable growth rates. The details of the CGUs, growth rates, discount rates and terminal growth rates used for value in use calculations for both years are shown as follow:

Segment	Number of subsidiaries		Average growth rate in five years*		Discount rate		Terminal growth rate	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
			(%)		*(%)*		*(%)*	
Shandong Province - Shanshui Heavy Industries	**1**	1	**20**	14	**16.82**	18.34	2.0	2.5
Shandong Province	**3**	–	**3-9**	–	**13.43**	–	–	–
Northeastern China	**11**	12	**1-16**	1-18	**13.00**	15.36	–	–
Shanxi Province	**6**	7	**5-13**	4-19	**13.09**	13.31	–	–

* The growth rate is based on the industry growth rate forecast.

Other key assumptions for the value in use calculations include such estimation in the projected sales volume, selling prices, direct costs, gross margin and other related expenses for each of the related CGUs used in the cash flow forecasts based on the unit's historical performance, unit's projected production plan and management's expectations for the market development of each of the CGUs.

The management believed that any reasonable possible change in the key assumptions on which the recoverable amounts are based would not cause the carrying amounts of the property, plant and equipment to exceed the aggregate of their recoverable amounts. Based on the cash flow projections and financial budgets approved by the management in respect of the impairment assessments for the financial year ended 31 December 2021 and 2020, the value in use calculated by the discounted cash flow analysis is higher than the carrying amount for the CGUs, and accordingly, no impairment loss of property, plant and equipment was recognised for the year ended 31 December 2021 (2020: nil).

In addition, the Group conducted a review of the Group's production assets and determined that certain assets owned by certain subsidiaries located in the Shandong Province were idle and/or obsolete and that it is expected that these assets will not generate future benefit to the Group. Accordingly, impairment loss of RMB172,074,000 (2020: RMB39,224,000) has been recognised in respect of those assets.

15. RIGHT-OF-USE ASSETS

	Plants and buildings *RMB'000*	Land lease prepayment *RMB'000*	Total *RMB'000*
Carrying amount:			
At 1 January 2020	18,326	2,313,441	2,331,767
Additions	262	47,971	48,233
Depreciation charge	(2,479)	(73,171)	(75,650)
At 31 December 2020	16,109	2,288,241	2,304,350
Additions	4,494	105,214	109,708
Depreciation charge	(3,070)	(70,525)	(73,595)
At 31 December 2021	**17,533**	**2,322,930**	**2,340,463**

	2021 ***RMB'000***	2020 *RMB'000*
Expense relating to short-term leases	**13,262**	2,873
Total cash outflow for leases	**31,001**	27,030

(a) For both years, the Group leases various plants and buildings and land lease prepayment for its operations. Lease contracts for plants and buildings are entered into for fixed terms of 2 to 30 years, but may have extension options as described below. Lease contracts for land lease prepayment are entered into for fixed term of 25 to 70 years. Lease terms for all lease contracts are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

(b) The Group's right-of-use assets with underlying assets of land lease prepayments for leasehold land are amortised for periods ranging from between 25 years and 70 years based on the lease term (2020: 25 years and 70 years).

15. RIGHT-OF-USE ASSETS (CONTINUED)

(c) As at 31 December 2021, application for the registration of land use rights in relation to right-of-use assets with underlying assets of land lease prepayments with cost of approximately RMB116,408,000 (2020: RMB135,734,000) was still in progress. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the properties and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2021 and 2020.

(d) As at 31 December 2020, right-of-use assets with underlying assets of land lease prepayments carried at RMB5,132,000 had been frozen by the PRC Court pending the outcome of the legal proceedings initiated by the Group's creditors relating to other borrowings and long-term bonds that had been overdue since November 2015 and January 2016 respectively. During the year ended 31 December 2021, the abovementioned other borrowings and long-term bonds have been fully settled and the litigation has been resolved. Accordingly, the court has released the frozen right-of-use assets with underlying assets of land lease prepayments as at 31 December 2021.

16. INTANGIBLE ASSETS

	Limestone mining rights *RMB'000*	Customer relationships *RMB'000*	Trademarks *RMB'000*	Software and others *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2020	1,694,385	48,181	92,522	89,257	1,924,345
Additions	244,912	–	–	26,250	271,162
Disposals	(48,073)	–	–	(8,854)	(56,927)
At 31 December 2020	1,891,224	48,181	92,522	106,653	2,138,580
Additions	238,656	–	–	213,458	452,114
Disposals	(73,442)	–	–	(138)	(73,580)
At 31 December 2021	**2,056,438**	**48,181**	**92,522**	**319,973**	**2,517,114**
Accumulated amortisation and impairment:					
At 1 January 2020	(806,880)	(48,181)	(70,292)	(68,379)	(993,732)
Amortisation for the year	(163,113)	–	–	(2,812)	(165,925)
Written back in disposals	13,308	–	–	3,763	17,071
At 31 December 2020	(956,685)	(48,181)	(70,292)	(67,428)	(1,142,586)
Amortisation for the year	(114,491)	–	–	(37,332)	(151,823)
Written back in disposals	72,730	–	–	119	72,849
At 31 December 2021	**(998,446)**	**(48,181)**	**(70,292)**	**(104,641)**	**(1,221,560)**
Net book value:					
At 31 December 2021	**1,057,992**	**–**	**22,230**	**215,332**	**1,295,554**
At 31 December 2020	934,539	–	22,230	39,225	995,994

16. INTANGIBLE ASSETS (CONTINUED)

(a) The limestone mines owned by subsidiaries of the Company are located in Shandong, Liaoning, Shanxi, Xinjiang and Inner Mongolia regions/provinces. The limestone mining rights which are granted from the respective land resources bureaus are valid for periods ranging from 3 years to 50 years (2020: ranging from 3 years to 50 years). The limestone mining rights will expire in 2023 to 2039. Certain limestone mining rights for limestone mines located in the Shanxi Province that expired in the current year are renewed and will expire in 2023.

(b) As at 31 December 2021, the ownership certificates for certain limestone mining rights with a carrying amount of RMB48,132,000 (2020: RMB64,711,000) have not been obtained. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the properties and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2020.

(c) Included in the carrying amount of trademarks represent the "遠航" brand acquired through acquisition of Chifeng Yuanhang Cement Co., Ltd. in previous years. The "遠航" brand has a remaining legal life of 2 years (2020: 3 years) but is renewable every 10 years at minimal cost. The directors of the Company are of the opinion that the "遠航" brand is having good reputation in the local area and hence the Group would renew the trademark continuously and has the ability to do so. As a result, the "遠航" brand is considered by the management of the Group as having an indefinite useful life and will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. The carrying amount of "遠航" brand as at 31 December 2021 is RMB22,230,000 (2020: RMB22,230,000).

For the year ended 31 December 2021 and 2020, the management assessed the recoverable amount of the CGU which the trademark forms part of the CGU (being a subsidiary located in Northeastern China) with reference to its value in use calculation. Based on the cash flow projections and financial budgets approved by the management in 2021 and 2020, the value in use calculated by the discounted cash flow analysis is higher than the company amounts for the CGU and accordingly the management determined that there was no impairment on the trademark's CGU for the year ended 31 December 2021 (2020: nil). Particulars of the value in use calculation in relation to the CGU located in Northeastern China region are disclosed as per note 14(h).

17. GOODWILL

	RMB'000
Cost:	
At 1 January 2020, 31 December 2020 and 31 December 2021	2,427,806
Impairment losses:	
At 1 January 2020, 31 December 2020 and 31 December 2021	2,337,674
Net book value:	
At 31 December 2021	**90,132**
At 31 December 2020	90,132

17. GOODWILL (CONTINUED)

Impairment tests for cash-generating units containing goodwill

As set out in IAS 36, cash generating units are the smallest identifiable groups of assets that generate cash inflows from continuing use that are largely independent of the cash flows from other assets. For the purpose of impairment testing of goodwill, goodwill is allocated to groups of CGUs (being subsidiaries acquired in each acquisition), which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The carrying amount of goodwill is allocated to CGUs representing a subsidiary located in the Shandong Province (amounting to RMB77,494,000 (2020: RMB77,494,000)), and subsidiaries located in the Northeast China (amounting to RMB12,638,000 (2020: RMB12,638,000)). The goodwill recognised is not expected to be deductible for income tax purpose.

For the purpose of impairment assessment for the year ended 31 December 2021 and 2020, the recoverable amounts of the individual CGU as at the end of the reporting period is estimated with reference to value in use calculation determined by the management of the Group or with the assistance of GW Financial Advisory Service Limited, an independent firm of qualified professional valuer not connected with the Group using cash flow projections based on the financial budgets of 2021 and 2020 of the respective CGUs approved by the management. Particulars of the value in use calculations are disclosed as per note 14(h).

During the year ended 31 December 2021 and 2020, the recoverable amounts of the CGUs of which carrying amounts of goodwill is allocated are higher than the carrying amounts of the respective CGUs and accordingly, the management determined that there is no impairment on these CGUs for the year ended 31 December 2021 and 2020.

The Group recognised accumulated impairment loss on goodwill amounting to approximately RMB2,337,674,000 as at 31 December 2021 (2020: RMB2,337,674,000).

18. OTHER FINANCIAL ASSETS

	Notes	**At 31 December 2021 RMB'000**	At 31 December 2020 RMB'000
Financial assets at FVTPL			
– Equity securities listed in the PRC	(a)	**5,915**	5,748
– Unquoted equity investments in PRC non-listed companies	(b)	**15,005**	17,164
Loan due from a third party	(c)	**–**	21,710
		20,920	44,622

Notes:

(a) Equity investments in securities listed in the PRC represent the Group's investments in equity shares listed on the Shanghai Stock Exchange and held by the Group as long term investment. The investments are valued with reference to the trading price of the securities at the end of the reporting period.

(b) Unquoted equity investments in PRC non-listed companies are held by the Group as long term investment. Included in the unquoted equity investments held by the Group as at 31 December 2021 mainly represented the 0.38% equity interest in Bank of Chaoyang with carrying amount of RMB10,628,000 (2020: RMB12,787,000). The fair value loss on the unquoted equity investments of RMB2,159,000 was recognised in profit or loss during the year ended 31 December 2021 (2020: fair value gain of RMB1,003,000).

Included in unquoted equity instruments in PRC non-listed companies is the investment in Jinan Changqing Shanshui Micro Finance Co., Ltd. ("Shanshui Micro Finance"), a PRC non-listed entity which was a former subsidiary of the Group before 2016.

Shanshui Micro Finance was under the management of the ex-directors of the Company. Since 2016, the Group can neither access any accounting books and records of Shanshui Micro Finance nor find the current place of business for Shanshui Micro Finance. The directors of the Company are of the opinion that the Group does not have the ability to direct the relevant activities which significantly affect Shanshui Micro Finance's returns and hence the Group lost control of Shanshui Micro Finance. Accordingly, the Group recorded the investments as available-for-sale securities under IAS 39 and has made full impairment provision for the carrying amount of these investments as at 31 December 2016. The Group recorded such investment as financial assets at FVTPL since 2018.

During the year ended 31 December 2021 and 2020, the directors of the Company continued to be unable to have the ability to direct relevant activities which significantly affect the above former subsidiary's returns but the Group was able to obtain access to the financial information and books and records of Shanshui Micro Finance as at respective reporting period end. Based on the management assessment, the fair value of Shanshui Micro Finance are assessed to be nil as at 31 December 2021 (2020: nil). Accordingly, no change in fair value on investments in Shanshui Micro Finance was recognised during the year ended 31 December 2021 and 2020.

(c) Loan due from a third party represents loan due from a minority shareholder of a subsidiary of the Company which held 30% equity interest in Bohai Cement (Huludao) Co., Ltd. ("Bohai Cement"). During the year ended 31 December 2020, in view that certain land lease prepayment owned by the minority shareholder of Bohai Cement is pledged to secure the loan granted by the Group, of which the directors of the Company were of the opinion that the fair value of the pledged land lease prepayment is higher than the carrying amount of the outstanding loan due from the minority shareholder of Bohai Cement, no impairment loss was recognised in respect of such loan during the year ended 31 December 2020. During the year ended 31 December 2021, the amount has been overdue and the management of the Group considers the probability of default has significantly increased. Accordingly, the amount is fully impaired and impairment loss of RMB21,710,000 is recognised in the profit or loss (included in impairment losses on other receivables, net) for the year ended 31 December 2021.

19. INTERESTS IN ASSOCIATES

	2021	2020
	RMB'000	*RMB'000*
Cost	**647,850**	647,850
Less: share of post-acquisition profit and other comprehensive income, net of dividends received	**(2,811)**	1,064
Less: impairment losses	**(328,379)**	(328,379)
Share of net assets	**316,660**	320,535

Details of the Group's major associates as at 31 December 2021 and 2020 are as follows:

Name of associate	Place and date of incorporation	Principal activities	Registered capital	Paid-in capital	**Proportion of ownership interest 31.12.2021**		Proportion of ownership interest 31.12.2020	
					Direct	**Indirect**	Direct	Indirect
Dong'e Shanshui Dongchang Cement Co., Ltd. ("Dong'e Shanshui") *(note (a))*	Shandong, PRC 1 March 2010	Production and sales of cement, clinker and related products	RMB100,000,000	RMB100,000,000	**–**	**51%**	–	51%
Dalian Cement Group Co., Ltd. ("Dashui Group")	Liaoning, PRC 11 June 1992	Production and sales of cement and related products	RMB888,980,000	RMB888,980,000	**–**	**22.04%**	–	22.04%
Qilu Property Co., Ltd. ("Qilu Property") *(note (b))*	Shandong, PRC 16 May 1994	Development of property	RMB83,529,200	RMB83,529,200	**–**	**30%**	–	30%

19. INTERESTS IN ASSOCIATES (CONTINUED)

Name of associate	Place and date of incorporation	Principal activities	Registered capital	Paid-in capital	Proportion of ownership interest 31.12.2021		Proportion of ownership interest 31.12.2020	
					Direct	Indirect	Direct	Indirect
Zibo Lianhe Cement Enterprise Management Co., Ltd. ("Lianhe Cement") *(note (c))*	Shandong, PRC 27 February 2017	Provide cement management services including cement corporate marketing planning and business management consulting	RMB520,000	RMB520,000	**–**	**38.27%**	–	38,27%
Zibo Banyang Limestone Enterprise Management Co., Ltd ("Banyang Limestone") *(note (d))*	Shandong, PRC 23 December 2016	Provide corporate management service, general freight, sales of limestone and investment advisory services	RMB10,000,000	RMB4,900,000	**–**	**6.93%**	–	6.93%
Liaoning Yunding Cement Group Co., Ltd. ("Yunding Cement") *(note (e))*	Liaoning, PRC 21 August 2017	Sales and production of cement and provide business information consulting services	RMB32,170,000	RMB32,170,000	**–**	**43.73%**	–	43.73%
Xingan Mengjixing Cement Management Co., Ltd. ("Mengjixing Cement") *(note (f))*	Inner Mongolia, PRC 4 January 2017	Sales and production of cement and provide business information consulting services	RMB2,653,100	RMB1,300,000	**–**	**24.39%**	–	24.39%
Yulin Zhongxin Cement Enterprise Management Co., Ltd. ("Zhongxin Cement") *(note (g))*	Shaanxi, PRC 23 July 2018	Provide cement management service, business information consulting services and sales of cement clinker, limestone and other products	RMB9,200,000	RMB3,750,000	**–**	**36.09%**	–	36.09%

19. INTERESTS IN ASSOCIATES (CONTINUED)

Notes:

(a) According to the articles of association of Dong'e Shanshui, the resolutions in relation to material financial and operating decisions have to be passed by more than half of directors. As the Group only has rights to appoint two out of five directors of Dong'e Shanshui, the directors of the Company is in the opinion that the Group has significant influence in Dong'e Shanshui but does not have control over Dong'e Shanshui although the Company owns more than half of equity interests in Dong'e Shanshui.

(b) Shandong Shanshui acquired 30% interest in Qilu Property with total consideration of RMB146,878,000 settled during the period from July to September 2015. Since the directors were unable to access to any books and records of the associate, the Group fully impaired the carrying amount of the investment in Qilu Property of RMB146,878,000 as at 31 December 2015. During the years ended 31 December 2016 and 2017, the directors continued to be unable to access any books and records of the associate.

The directors have been able to access to books and records of the associate since 2018. Based on the assessment by the management of the Group, the recoverable amounts of the interest in the associate was nil and accordingly, the impairment provided in previous years was not reversed.

(c) In January 2020, a shareholder sharing 20% equity interest of Lianhe Cement, cancelled its capital commitment of RMB13,000,000 in Lianhe Cement. The registered capital in Lianhe Cement then decreased from RMB65,000,000 to RMB52,000,000. There is no other change in the shareholding afterward, as a result, the Group's effective equity interest in Lianhe Cement increased from 30.61% to 38.27%. The excess of the Group's share of fair value of Lianhe Cement's identifiable assets and liabilities over the cost of the investment amounted to RMB7,661,000 was included in share of results of associates during the year ended 31 December 2020.

In June 2020, all shareholders of Lianhe Cement resolved to reduce 99% of share capital through a shareholders meeting held on 9 June 2020. This is a unanimous decision in view of the shrinking business and the increasing challenges under COVID-19 pandemic. The registered share capital and paid-in capital then decreased from RMB52,000,000 to RMB520,000. The proceeds from this capital reduction of RMB19,800,000 was received on 10 June 2020. The effective equity interest in Lianhe Cement held by the Group remains at 38.27% afterward.

(d) During the year ended 31 December 2017, the Company's 99% owned subsidiary, Zibo Shanshui Cement Co., Ltd contributed cash of RMB700,000 for the establishment of Banyang Limestone with seven independent third parties. The directors of the Company is in the opinion that the Group has significant influence in Banyang Limestone even the Company owns less than 20% of equity interest in Banyang Limestone as each investor appoints 1 director out of 9 directors in Banyang Limestone and the resolution of the board requires 50% vote. The Group has 6.93% effective equity interest in Banyang Limestone as at 31 December 2020 and 2021.

(e) During the year ended 31 December 2017, the Company's wholly owned subsidiary, Liaoning Shanshui Gongyuan Cement Co., Ltd. contributed cash of RMB13,950,000 for the establishment of Yunding Cement for 39.64% equity interest with four independent third parties. During the year ended 31 December 2018, after one of the shareholders has withdrawn the shares from Yunding Cement, the Group's equity interest in Yunding Cement was increased to 43.73%, and there is no change in the effective equity interest as at 31 December 2020 and 2021.

(f) During the year ended 31 December 2017, certain non-wholly owned subsidiaries of the Company contributed cash of RMB700,000 in total for the establishment of Mengjixing Cement for 26.38% equity interest with three independent third parties. The Group in aggregate has 24.39% effective equity interest in Mengjixing Cement, and there is no change in the effective equity interest as at 31 December 2020 and 2021.

(g) During the year ended 31 December 2018, certain non-wholly owned subsidiaries of the Company contributed cash of RMB4,500,000 in total for the establishment of Zhongxin Cement for 48.91% equity interest with four independent third parties. The Group in aggregate has 36.09% effective equity interest in Zhongxin Cement, and there is no change in the effective equity interest as at 31 December 2020 and 2021.

19. INTERESTS IN ASSOCIATES (CONTINUED)

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of Dong'e Shanshui are listed below:

Dong'e Shanshui

	2021 ***RMB'000***	2020 *RMB'000*
Current assets	**139,336**	207,745
Non-current assets	**185,595**	199,563
Current liabilities	**(32,437)**	(62,812)
Non-current liabilities	**(740)**	(740)

	2021 ***RMB'000***	2020 *RMB'000*
Revenue	**319,079**	350,592
Profit and total comprehensive income for the year	**30,308**	68,271

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2021 ***RMB'000***	2020 *RMB'000*
Net assets of Dong'e Shanshui	**291,754**	343,756
Proportion of the Group's ownership interest in Dong'e Shanshui	**51%**	51%
Carrying amount of the Group's interest in Dong'e Shanshui	**148,795**	175,316
Dividend received from Dong'e Shanshui	**(40,800)**	–

19. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material are listed below:

	2021 **RMB'000**	2020 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**167,865**	145,220
Aggregate amounts of the Group's share of those associates' losses and total comprehensive expense for the year	**23,358**	(13,405)

Unrecognised share of loss of associates that are not individually material:

	2021 **RMB'000**	2020 RMB'000
Unrecognised share of loss of associates for the year	**(10,252)**	(18,929)
Cumulative unrecognised share of loss of associates	**(64,885)**	(54,633)

20. INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Raw materials	**1,140,170**	931,453
Semi-finished goods	**594,349**	616,159
Finished goods	**480,479**	280,027
Spare parts	**546,946**	460,404
	2,761,944	2,288,043

21. TRADE AND BILLS RECEIVABLES

		2021	2020
	Note	***RMB'000***	*RMB'000*
Bills receivables		**989,586**	1,199,872
Trade receivables		**1,592,930**	1,422,922
Less: allowance for credit losses	36(b)(i)	**(293,206)**	(303,316)
		2,289,310	2,319,478

(a) Ageing analysis

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

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**1,136,843**	911,522
3 to 6 months	**422,846**	653,987
6 to 12 months	**270,244**	417,976
Over 12 months	**459,377**	335,993
	2,289,310	2,319,478

All of the trade and bills receivables (net of allowance for credit losses) are expected to be recovered within one year from the end of reporting period. The detailed credit policy and details of impairment assessment of trade and bills receivables are set out in note 36(b)(i).

22. PREPAYMENTS AND OTHER RECEIVABLES AND OTHER LONG-TERM ASSETS

(a) Prepayments and other receivables (current assets)

	Notes	2021 RMB'000	2020 RMB'000
Deposits	(i)	**43,958**	36,417
Prepayments for raw materials		**231,651**	125,965
Prepayments for utilities		**85,168**	77,735
VAT recoverable		**289,304**	179,764
Amounts due from related parties	40(b)	**126,703**	157,975
Amounts due from third parties	(ii)	**423,590**	248,788
Others		**82,776**	78,466
		1,283,150	905,110

As at 31 December 2021, the gross carrying amount of other receivables of the Group exposed to credit risks has been net off with loss allowance amounted to RMB576,065,000 (2020: RMB539,612,000). Details of impairment assessment of the other receivables exposed to credit risk are set out in note 36(b)(i).

Notes:

(i) Included in deposits as at 31 December 2021 mainly are deposits paid for bidding and fulfilling the agreements of RMB26,568,000 (2020: RMB22,436,000). The deposits are expected to be utilised within 12 months after the end of the reporting period and are therefore classified as current assets.

(ii) Included in amounts due from third parties as at 31 December 2021 are advances paid to local government of nil (2020: RMB41,773,000), receivables from staffs of RMB2,040,000 (2020: RMB10,950,000), amounts due from the former shareholders of certain subsidiaries of the Group of RMB43,404,000 (2020:RMB44,801,000) and receivables from non-controlling shareholders of nil (2020: RMB36,741,000). The receivables from non-controlling shareholders is unsecured, interest free and repayable on demand. Details of impairment assessment of the other receivables exposed to credit risk are set out in note 36(b)(i).

(b) Other long-term assets

Other long-term assets mainly represented prepayment for purchase of property, plant and equipment, right-of-use assets with underlying assets of land lease prepayment and intangible assets of RMB295,333,000, RMB73,350,000 and RMB83,687,000, respectively (2020: RMB308,458,000, RMB20,250,000 and nil, respectively), VAT recoverable of nil (2020: RMB33,742,000) and deposit for environmental restoration of RMB467,540,000 (2020: RMB463,499,000).

These balances are not expected to be recovered within one year from the end of reporting period, and accordingly, are classified as non-current.

23. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

Restricted bank deposits as at 31 December 2021 include RMB22,335,000 (2020: RMB16,760,000) of cash deposits pledged to banks for the performance guarantee in relation to certain contracts of sales or purchases of cement, and RMB6,573,000 (2020: RMB4,011,000) of bank balances which have been frozen by the PRC Court pending the outcome of the legal proceedings initiated by the Group's creditors relating to certain sales or purchases contracts. Further details of this litigation are set out in note 27. During the year ended 31 December 2021, frozen bank deposits amounting to RMB3,918,000 have been released as the litigation has been resolved.

The restricted bank deposits carry fixed interest rates ranged from 0.3% to 2.75% (2020: 0.3% to 3.30%) per annum. The effective interest rate on bank balances ranged from 0.01% to 1.75% (2020: 0.01% to 1.90%) per annum as at 31 December 2021.

For the year ended 31 December 2021, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided. Details of impairment assessment of restricted bank deposits for the year ended 31 December 2021 are set out in note 36(b)(i).

24. BANK LOANS

	2021	2020
	RMB'000	*RMB'000*
Bank loans – Secured (*)	**103,750**	103,750
Bank loans – Unsecured	**2,424,000**	2,557,999
	2,527,750	2,661,749

* These bank loans were pledged by certain plants and buildings with an aggregate carrying amount of RMB8,356,000 (2020: RMB8,712,000) (see note 14).

As at 31 December 2021 and 2020, there is no default in bank loans repayment.

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

	2021	2020
	RMB'000	*RMB'000*
Within one year	**2,392,750**	1,544,749
After one year but within two years	**135,000**	1,117,000
	2,527,750	2,661,749

All bank loans are interest-bearing and detail of interest rates are disclosed as per note 36(b)(iii).

25. OTHER BORROWINGS

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

	Notes	**2021** **RMB'000**	2020 *RMB'000*
Loan from government – Unsecured	(i)	**909**	1,818
Short-term financing bills	(ii)	**–**	330,000
		909	331,818

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

	2021 **RMB'000**	2020 *RMB'000*
Within one year or on demand	**909**	330,909
After one year but within two years	**–**	909
	909	331,818

Notes:

(i) The government loan was received by Liaoning Shanshui Gongyuan Cement Co., Ltd. for constructing an environmental friendly production line. The loan is unsecured, bears interest at one-year PRC deposit interest rate plus 0.3% (2020: one-year PRC deposit interest rate plus 0.3%) and is repayable in equal instalments from 2012 to 2022.

25. OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

(ii) All of the short-term financing bills are issued by Shandong Shanshui Cement Group Company Limited ("Shandong Shanshui"), a wholly-owned subsidiary of the Company, and registered at Interbank Market Clearing House Co., Ltd. (the "Shanghai Clearing House"). As at 31 December 2021 and 2020, the details of short-term financing bills are listed below:

Issuer	Outstanding principal *(RMB'000)*	Issue date	Original maturity date	Original interest rates *(per annum)*	Original interest payment term	Interest rates after restructuring plans *(per annum)*	Remark
Shandong Shanshui	nil (2020: 190,000)	14/04/2015	22/11/2015	5.30%	settled at the maturity date	nil (2020: 7.70%)	Note
Shandong Shanshui	nil (2020: 140,000)	14/05/2015	12/02/2016	4.50%	settled at the maturity date	nil (2020: 6.49%)	Note

Note: Based on further agreements entered into among the Group and the holders of these short-term financing bills, Shanghai Clearing House has cancelled the registration of the short-term financial bills on 12 June 2020 and 25 June 2021 respectively.

As at 31 December 2020, the outstanding short-term financing bills with principal of RMB330,000,000 carried interest rate at 6.49% – 7.70% per annum. The outstanding short-term financing bills are fully repaid by the Group during the year ended 31 December 2021.

In previous years, the Group negotiated with holders of the short-term financing bills to restructure the repayment terms. Under the restructuring plans, the holders of the short-term financing bills (mainly PRC banks and financial institutions) have agreed to waive portion of interest and penalty interest accrued on the principal amount of the short-term financing bills up to the date of the restructuring plan on the condition that the Group repays the outstanding liabilities according to the revised repayment schedule. As at 31 December 2021, there is no default in repayment of other borrowings and accordingly, portion of interest related to short-term financing bills of RMB22,894,000 has been waived and recognised as other income in profit or loss during the year ended 31 December 2021 (2020: RMB15,517,000).

26. LONG-TERM BONDS

	2021 **RMB'000**	2020 RMB'000
Medium-term notes and other notes	–	436,000
Less: Current portion of medium-term notes and other notes	–	(321,000)
Long-term bonds, less current portion	–	115,000

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

Issuer	**Outstanding principal** *(RMB'000)*	**Issue date**	**Original maturity date**	**Original interest rates** *(per annum)*	**Original interest payment term**	**Interest rates after restructuring plans** *(per annum)*
Medium-term notes issued in the PRC inter-bank market						
Shandong Shanshui	nil (2020: 286,000)	18/01/2013	21/01/2016	5.44%	annually	nil (2020: 0%–5.44%)
Shandong Shanshui	nil (2020: 150,000)	27/02/2014	27/02/2017	6.10%	annually	nil (2020: 0%–6.10%)

As at 31 December 2020, the outstanding medium-term notes with principal of RMB64,000,000 was interest free and principal of RMB372,000,000 carried interest at 5.44% – 6.10% per annum. The outstanding medium-term notes are fully repaid by the Group during the year ended 31 December 2021.

In previous years, the Group negotiated with holders of the medium-term notes to restructure the repayment terms. Under the restructuring plans, the holders of the medium-term financing bills (mainly PRC banks and financial institutions) have agreed to waive portion of the interest and penalty interest accrued on the principal amounts of the medium-term notes up to the date of the restructuring plan on the condition that the Group repays the outstanding liabilities according to the revised repayment schedule. As at 31 December 2021, there is no default in repayment of long-term bonds and accordingly, portion of interest related to medium-term notes of RMB31,906,000 has been waived and recognised as other income in profit or loss during the year ended 31 December 2021 (2020: RMB85,171,000).

27. TRADE PAYABLES

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

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**2,241,310**	2,129,539
3 to 6 months	**433,319**	465,384
6 to 12 months	**367,260**	349,927
Over 12 months	**695,746**	660,351
	3,737,635	3,605,201

As at 31 December 2021 and 2020, all trade payables of the Group are repayable on demand. All trade payables are expected to be settled within one year.

As at 31 December 2021, certain suppliers and third parties have initiated lawsuits against the Group to demand immediately settlement of trade payables with carrying amount of RMB10,293,000 (2020: RMB16,558,000) plus interest for late payment, if any.

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

28. OTHER PAYABLES AND ACCRUED EXPENSES, CONTRACT LIABILITIES AND LONG TERM PAYABLES

(a) Other payables and accrued expenses

	Notes	**31 December 2021** ***RMB'000***	31 December 2020 *RMB'000*
Accrued payroll and welfare		**410,633**	439,835
Taxes payable other than income tax payable		**108,469**	50,808
Staff compensation and termination provisions	29(b)	**143,896**	159,110
Amounts due to related parties	40(b)	**835,697**	859,654
Payable to former shareholders of acquired subsidiaries		**77,358**	95,174
Acquisition consideration payable	(i)	**59,820**	45,149
Current portion of long-term payables		**–**	1,287
Accrued expenses and other payables	(ii)	**647,622**	829,551
		2,283,495	2,480,568

Notes:

(i) Included in the balance are amounts payable for the acquisition of Liaocheng Meijing Zhongyuan Cement Co. Ltd. ("Liaocheng Meijing Zhongyuan Cement") amounting to RMB30,678,000 (2020: RMB30,678,000). The previous shareholders of Liaocheng Meijing Zhongyuan Cement have sued the Group to settle the unpaid acquisition consideration payable plus interest for late payment. Up to the date of approval of these consolidated financial statements, the litigations related to Liaocheng Meijing Zhongyuan Cement is still in process.

(ii) The amount mainly represents payables for acquisition of property, plant and equipment of RMB53,356,000 (2020: RMB48,684,000), payable for mine management of RMB123,946,000 (2020: RMB123,946,000), contract guarantee deposits from suppliers of RMB123,286,000 (2020: RMB107,699,000) and interest payables of RMB1,184,000 (2020: RMB212,884,000).

As at 31 December 2021, certain suppliers and third parties have lawsuits against the Group to demand immediately settlement of other payables with carrying amount of RMB43,620,000 (2020: RMB62,903,000) plus interest for late payment, if any.

28. OTHER PAYABLES AND ACCRUED EXPENSES, CONTRACT LIABILITIES AND LONG TERM PAYABLES (CONTINUED)

(b) Contract liabilities

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Contract liabilities		
Sales of cement	**460,319**	631,893
Sales of clinker	**31,004**	36,282
Sales of concrete	**11,808**	15,524
Sales of other products	**24,796**	49,103
	527,927	732,802

The Group typically received full payment from customers for sales of cement, clinker, concrete and other products before the customers obtain the control of the cement products which give rise to contract liabilities at the start of a contract, until the revenue recognised upon the pass of controls. All contract liabilities are expected to be recognised as income within one year.

As at 1 January 2020, contract liabilities amounted to RMB597,487,000. The contract liabilities as at 1 January 2021 and 2020 were fully recognised as revenue during the year ended 31 December 2021 and 2020, respectively.

(c) Long term payables

Long term payables mainly represented payables for reclamation cost for environmental restoration and constructions in amount of RMB263,423,000 (2020: RMB253,741,000).

29. EMPLOYEE BENEFITS

(a) Defined contribution retirement plans

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial government authorities for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 20% to 24% of the salaries, wages and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. Where there are employees who leave the plans prior to vesting fully in the contributions, in accordance with the rules of the plans, the forfeited employers' contributions shall not be used to reduce the future contributions of the employers. At 31 December 2021, there was no forfeited contribution which is available to reduce the contributions payable in future years (2020: nil).

The Group has no other material obligation for the payment of pension benefits associated with these plans and other post-retirement beyond the annual contributions described above.

(b) Staff compensation and termination provision

	Note	**2021** ***RMB'000***	2020 *RMB'000*
Staff compensation and termination provision	28	**143,896**	159,110

Note: Pursuant to relevant agreements with related local governments entered into when Shandong Shanshui changed from being a state-owned enterprise to being a privately-owned enterprise, certain employees of certain subsidiaries of the Group are entitled to receive compensation and termination pay relating to their past employment prior to the change in status. Such amounts are required to be paid to the employees as soon as they cease to be employed by the Group. These amounts are included in other payables and accrued expenses in the consolidated statement of financial position (see note 28).

(c) Defined benefit obligations

The liabilities recognised in the consolidated statement of financial position represent:

	2021 ***RMB'000***	2020 *RMB'000*
Present value of the defined benefit obligations	**107,730**	111,460

The balance represents the provision for the post-employment benefits according to the non-cancellable staff relocation plans agreed in respect of Shandong Shanshui, Weifang Shanshui, Qianshan Cement (excluding the compensation stated in note 29(b)) and Liaoning Shanshui. The Group's obligations in respect of the defined benefit obligations at the end of the Reporting Period were reviewed by Willis Towers Watson, a qualified independent actuary and a member of the Society of Actuaries and China Association of Actuaries, using the projected unit credit actuarial cost method.

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

29. EMPLOYEE BENEFITS (CONTINUED)

(c) Defined benefit obligations (Continued)

(i) Movements in the defined benefit obligations are set out as follows:

	2021	2020
	RMB'000	*RMB'000*
At 1 January	**111,460**	122,120
Remeasurements	**420**	(5,800)
Payments	**(8,080)**	(9,190)
Current service cost	**470**	530
Interest expense	**3,460**	3,800
At 31 December	**107,730**	111,460

(ii) Expenses recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2021	2020
	RMB'000	*RMB'000*
Interest expense (recognised as finance cost)	**3,460**	3,800
Current service cost (recognised as administrative expenses)	**470**	530
Total amounts recognised in profit for the year	**3,930**	4,330
Actuarial gain recognised in other comprehensive income for the year	**420**	(5,800)
Total defined benefit costs	**4,350**	(1,470)

29. EMPLOYEE BENEFITS (CONTINUED)

(c) Defined benefit obligations (Continued)

(iii) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2021	2020
Discount rate	**2.75%**	3.25%
Annual growth rate of cost of living	**3.00%-10.00%**	3.00%-10.00%
Social average salary increase rate	**10.00%**	10.00%
Average expected remaining working life of eligible employees	**6.4 years**	6.8 years

The below analysis shows how the defined benefit obligation as at 31 December 2021 and 2020 would have (increased)/decreased as a result of 0.5% change in the significant actuarial assumptions:

Discount rate	**2021** ***RMB'000***	2020 *RMB'000*
Effect on defined benefit obligation		
– Increase in 0.5%	**(4,860)**	(4,910)
– Decrease in 0.5%	**5,320**	5,350

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

30. DEFERRED INCOME

	2021	2020
	RMB'000	*RMB'000*
At 1 January	**222,844**	235,149
Addition during the year	**34,209**	2,040
Recognised in consolidated statement of profit or loss	**(13,949)**	(14,345)
At 31 December	**243,104**	222,844

Deferred income mainly represents the PRC local government grants received from relevant PRC authorities for fixed asset investments, such as cement and clinker plants and residual heat generation plants. The subsidies are recognised in the consolidated statement of profit or loss over the estimated useful lives of the respective property, plant and equipment. There are no unfulfilled conditions and contingencies relating to the grants.

31. CONVERTIBLE BONDS

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

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

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

31. CONVERTIBLE BOND (CONTINUED)

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

The Company has the right to convert the outstanding principal amount of the CB into fully-paid ordinary shares of the Company at any time during the period commencing from the 19th month following the issue date and up to inclusive of 7 business days prior to the maturity date of 2 September 2021 (i.e. from 3 March 2020 to 24 August 2021) upon (i) the grant of approval for the listing of and permission to deal in the conversion shares by the Listing Committee of the Stock Exchange, with such approval being unconditional or subject to conditions to which neither the Company nor Subscriber shall reasonably object; or (ii) the cancellation of listing. In the event that the Company elects to exercise the conversion right, it shall pay to each CB holder an amount equal to the interest that would have accrued on the CB of the holder from the date on which the Company elects to exercise the conversion right (the "Company Conversion Date") to the next anniversary date after the Company Conversion Date.

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

The CB contains two components, debt component and derivatives (including conversion and early redemption options) component. The effective interest rate of the debt component is 13% (2020: 13%). The derivative components are financial assets or financial liabilities because the early redemption options is non-closely related to the economic characteristics and risks of the host. Hence, the conversion option is not an equity component. These derivatives are measured at fair value with charges in fair value subsequent to the initial recognition recognised in profit or loss.

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

On the maturity date of the outstanding CB (i.e. 7 August 2021), the Company redeemed and paid the whole of the outstanding CB at an amount equal to 100% of the outstanding principal amount of the CB (i.e. US$75,000,000, equivalent to approximately RMB487,152,000) plus the accrued interest in respect of the outstanding CB principal amount up to the maturity date of US$15,000,000 (equivalent to approximately RMB96,997,000) in accordance with the terms of the CB.

31. CONVERTIBLE BOND (CONTINUED)

The movement of the components of the convertible bonds for the years ended 31 December 2021 and 2020 is set out below:

	Debt component *RMB'000*	Derivative component *RMB'000*	Total *RMB'000*
At 1 January 2020	634,057	(187,779)	446,278
Interest charge	72,013	–	72,013
Interest paid	(124,583)	–	(124,583)
Fair value change	–	(72,042)	(72,042)
Exchange realignment	(38,224)	16,074	(22,150)
At 31 December 2020	543,263	(243,747)	299,516
Interest charge	43,532	–	43,532
Interest paid	(96,997)	–	(96,997)
Redemption of CB	(487,152)	–	(487,152)
Fair value change	–	242,667	242,667
Exchange realignment	(2,646)	1,080	(1,566)
At 31 December 2021	**–**	**–**	**–**

The debt component of convertible bonds was classified as current liabilities while the derivative component of the outstanding convertible bonds was classified as current assets in the consolidated financial statements as at 31 December 2020.

The fair values of the Group's derivative component of the outstanding convertible bonds as at 31 December 2020 had been arrived at on the basis of a valuation carried out by GW Financial Advisory Services Limited, an independent firm of qualified professional valuer not connected to the Group. The fair values of the derivative components of the outstanding convertible bonds were determined based on Monte-Carlo model, which may change due to changes in share price of the Company. The key unobservable input used in the model are disclosed in note 36(c).

32. LEASE LIABILITIES

	2021	2020
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	**9,852**	13,419
Within a period of more than one year but not more than two years	**4,583**	8,303
Within a period of more than two year but not more than five years	**8,946**	8,754
Within a period of more than five years	**39,494**	42,517
	62,875	72,993
Less: portion classified as current liabilities	**(9,852)**	(13,419)
Non-current liabilities	**53,023**	59,574

33. DEFERRED TAXATION

(a) Deferred tax assets and liabilities recognised

Movements in deferred tax assets and liabilities for the years ended 31 December 2021 and 2020 are as follows:

	At 1 January 2020	Recognised in profit or loss	At 31 December 2020	Recognised in profit or loss	**At 31 December 2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets					
Intra-group unrealised profits	40,987	2,095	43,082	29,941	**73,023**
Depreciation of property, plant and equipment	2,088	(621)	1,467	(638)	**829**
Tax loss *	753	50	803	(803)	**–**
Impairment losses on property, plant and equipment	27,336	(913)	26,423	3,330	**29,753**
Deferred income	31,580	264	31,844	431	**32,275**
Accrued bonus for staff	2,460	(2,460)	–	151	**151**
Long-term payables	44,582	11,058	55,640	(8,163)	**47,477**
Accrued expenses	5,941	8,479	14,420	(657)	**13,763**
Impairment losses of trade and bills receivables	4,825	20,520	25,345	22,198	**47,543**
Intangible assets	2,526	10,040	12,566	4,843	**17,409**
	163,078	48,512	211,590	50,633	**262,223**
Deferred tax liabilities					
Property, plant and equipment	(100,233)	(8,007)	(108,240)	9,683	**(98,557)**
Intangible assets	(2,567)	(4,639)	(7,206)	(439)	**(7,645)**
Accrued expenses	(1,444)	(2,064)	(3,508)	(1,985)	**(5,493)**
	(104,244)	(14,710)	(118,954)	7,259	**(111,695)**
Total	58,834	33,802	92,636	57,892	**150,528**

* Deferred tax assets in respect of unused tax losses are related to subsidiaries that were established in recent years. They are now processing to their normal producing stage and are creating profits. Accordingly, it is considered probable that sufficient taxable profits will be available in the future to utilise their unused tax losses before they expire.

33. DEFERRED TAXATION (CONTINUED)

(a) Deferred tax assets and liabilities recognised (Continued)

Reconciliation to the consolidated statement of financial position

	2021	2020
	RMB'000	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**214,911**	168,039
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(64,383)**	(75,403)
	150,528	92,636

(b) Tax losses and deductible temporary differences not recognised

As at 31 December 2021, the Group did not recognise deferred tax assets in respect of tax losses and deductible temporary differences of certain PRC subsidiaries of RMB1,833,120,000 and RMB95,204,000 (2020: RMB2,233,803,000 and RMB56,964,000) respectively, as it is not probable that future taxable profits which the losses and deductible temporary differences can be utilised will be available. Included in unrecognised tax losses as at 31 December 2021 are losses of RMB382,834,000, RMB546,174,000, RMB354,335,000, RMB385,029,000 and RMB164,748,000 that will be expired in 2022, 2023, 2024, 2025 and 2026, respectively (2020: RMB466,895,000 , RMB431,430,000, RMB564,073,000, RMB370,609,000 and RMB400,796,000, that will be expired in 2021, 2022, 2023, 2024 and 2025, respectively). Unrecognised tax losses amounting to RMBRMB415,688,000 (2020: RMB493,827,000) was expired as at 31 December 2021.

(c) Deferred tax liabilities not recognised

Under the prevailing PRC income tax law and its relevant regulations, foreign corporate investors are levied PRC dividend withholding tax at 10%, unless reduced by tax treaties/arrangements, on dividends declared by PRC-resident enterprises for profits earned subsequent to 1 January 2008.

As at 31 December 2021, temporary differences relating to the undistributed profits of the Company's PRC subsidiaries amounted to RMB22,346,973,000 (2020: RMB19,792,213,000). Deferred tax liabilities of RMB2,234,697,000 (2020: RMB1,979,221,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

34. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to the written resolutions of the Company's shareholders passed on 14 June 2008, the Company has adopted the share option scheme (the "**Share Option Scheme**") whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, and any customer or supplier or any persons who has contributed or will contribute to the Group, to take up options.

Pursuant to the written resolutions of the Company's board of directors passed on 25 May 2011, the directors of the Company granted certain directors and employees of the Group to take up options to subscribe for 7,400,000 ordinary shares of the Company under the Share Option Scheme. The exercise price of these options is HKD7.90, being the average closing price of the Company's ordinary shares immediately before the grant. These share options were vested immediately after being granted and would be exercisable until 24 May 2021. Of the 7,400,000 options granted by the Company on 25 May 2011, 1,900,000 options were lapsed as at 31 December 2020 in accordance with the terms of the Share Option Scheme. The remaining 5,500,000 options granted by the Company were lapsed upon the expiry of these share options on 24 May 2021.

Pursuant to the written resolutions of the Company's board of directors passed on 27 January 2015, the directors of the Company granted certain directors and employees of the Group to take up options to subscribe for 163,700,000 ordinary shares of the Company under the Share Option Scheme. The exercise price of these options is HKD3.68, being the average closing price of the Company's ordinary shares immediately before the grant. These share options were vested six months after being granted and would be exercisable until 26 January 2025. The 163,700,000 options granted by the Company on 27 January 2015 do not include the 43,600,000 options which were conditionally granted to Mr. Zhang Caikui and Mr. Zhang Bin, the ex-directors of the Company. According to the Listing Rules and the Share Option Scheme of the Company, the options granted to Mr. Zhang Caikui and Mr. Zhang Bin required the approval of the shareholders of the Company at an extraordinary general meeting of the Company. However, up until the date of the approval of these consolidated financial statements, the required extraordinary general meeting has not been held. As all the options granted on 27 January 2015 are subject to certain legal proceedings, the Company has given an undertaking on 6 January 2016 that it will not take any step to implement these options before a count decision is made. For details, please refer to the announcements of the Company dated 27 February 2015, 16 March 2015, 18 March 2015, 27 July 2015 and 29 March 2016. Accordingly, the options which were conditionally granted to Mr. Zhang Caikui and Mr. Zhang Bin have not been granted. Of the 163,700,000 options granted by the Company on 27 January 2015 to certain directors and employees of the Group, 71,400,000 (2020: 53,600,000) options were lapsed as at 31 December 2021 in accordance with the terms of the Share Option Scheme.

34. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

The movements of the Company's share options for the years ended 31 December 2021 and 2020 are as follows:

Type of participants	Date of grants	Vesting Condition	Contractual life of options	Exercise price per share	Outstanding at 1.1.2020	Lapsed during the year	Outstanding at 31.12.2020	Lapsed during the year	Outstanding at 31.12.2021
2011 share options									
Employees	25 May 2011	Immediately after the date of grant	10 years	HK$7.90	5,500,000	–	5,500,000	(5,500,000)	–
2015 share options									
Employees	27 January 2015	Six months after the date of grant	10 years	HK$3.68	117,500,000	(7,400,000)	110,100,000	(17,800,000)	92,300,000
					123,000,000	7,400,000	115,600,000	(23,300,000)	92,300,000
Exercisable at the end of the year					123,000,000		115,600,000		92,300,000
Weighted average exercise price (HK$ per share)					3.87		3.88		3.68

No options were exercised during the years ended 31 December 2021 and 2020.

35. CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	2021 & 2020	
	Number of share	**RMB equivalent**
		RMB'000
Ordinary shares of the Company of USD0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	10,000,000,000	701,472
Issue and fully paid:		
At 1 January 2020, 31 December 2020 and 31 December 2021	**4,353,966,228**	**295,671**

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

A final dividend for the year ended 31 December 2021 of no more than RMB0.256 per share amounting to approximately RMB1,114,615,000 has been proposed by the directors of the Company after the end of the reporting period. The proposed final dividend for the current year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and all necessary order and approval from the Grand Court given the outstanding Cayman Petition against the Company (as defined in note 38(b) to these consolidated financial statements).

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2020.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year approved and paid during the year:

	2021	2020
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, declared and paid during the year	**–**	–

35. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account of the Company is governed by the Companies Law (Revised) of the Cayman Islands.

(ii) Statutory reserves

Statutory reserves of the Group were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors. The statutory reserve consist of statutory reserve funds and maintenance and production funds.

For the entity concerned, statutory reserves fund can be used to offset accumulated losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance after such conversion is not less than 25% of the registered capital.

According to relevant PRC regulations, the Group is required to transfer an amount to specific reserve for the maintenance and production funds and other related expenditures.

(iii) Other reserves

Other reserves of the Group mainly include:

(a) the differences of consideration over the net assets of subsidiaries acquired under common control in 2005;

(b) the differences of consideration over the net assets of non-controlling interests acquired by Shandong Shanshui in 2005;

(c) the difference between the nominal value of the share capital of the Company and the nominal value of the share capital and share premium of Shanshui Cement Hong Kong on the Share Swap; and

(d) the difference between the considerations of acquisition or disposal of equity interests from/to non-controlling equity owners and the carrying amount of the proportionate net assets.

35. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Nature and purpose of reserves (Continued)

(iv) Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(d) Distributability of reserves

Under the Companies Law of the Cayman Islands, the funds in the share premium account and the accumulated losses account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

For the year ended 31 December 2021, any distributions proposed by the directors of the Company is subject to the approval of the Company's shareholders at the forthcoming general meeting and all necessary order and approval from the Grand Court given the outstanding Cayman Petition against the Company (as defined in note 38(b) to these consolidated financial statements).

The Company did not make any distributions for the year ended 31 December 2020 due to the influence of the winding up petitions as disclosed in note 38.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including all bank loans, other borrowings, long-term bonds and convertible bonds as shown in the consolidated statement of financial position) less bank balances and cash. Total capital is calculated as total equity plus net debt.

35. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management (Continued)

The net gearing ratio of the Group is as follows:

	Notes	**2021** **RMB'000**	2020 *RMB'000*
Current liabilities:			
Bank loans – amount due within one year	24	**2,392,750**	1,544,749
Current portion of other borrowings	25	**909**	330,909
Current portion of long-term bonds	26	**–**	321,000
Convertible bonds	31	**–**	543,263
		2,393,659	2,739,921
Non-current liabilities:			
Bank loans – amount due after one year	24	**135,000**	1,117,000
Other borrowings less current portion	25	**–**	909
Long-term bonds less current portion	26	**–**	115,000
		135,000	1,232,909
Total debt		**2,528,659**	3,972,830
Less: Bank balances and cash	23	**(1,423,171)**	(1,401,233)
Net debt		**1,105,488**	2,571,597
Total equity		**18,753,882**	15,882,017
Total capital		**19,859,370**	18,453,614
Net gearing ratio*		**5.6%**	13.9%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

* Net gearing ratio = net debt/ (net debt + equity of the Company).

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021	2020
	RMB'000	*RMB'000*
Financial assets		
At FVTPL	**20,920**	22,912
At amortised cost	**4,901,260**	4,741,433
Derivative financial instruments	**–**	243,747
	4,922,180	5,008,092
Financial liabilities		
Amortised cost	**8,434,804**	9,973,468
Lease liabilities	**62,875**	72,993
	8,497,679	10,046,461

(b) Financial risk management objectives and policies

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(i) Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and bills receivable. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Generally, the Group requires full payment upon delivery of goods for sales of cement, clinker and bubble bricks. 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 a credit period ranging from 90 days to 180 days.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

The Group generally does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In respect of trade and bills receivable for sales of cement, clinker and bubble bricks, individual credit evaluations are only performed when the customers required credit. In respect of trade and bills receivable for sales of pipes and concrete, individual credit evaluations are performed on all customers requiring credit over a certain amount. In order to minimise the credit risk, the management of the Group has delegated a team responsible for evaluations and determination of credit limits and credit approvals. These evaluations focus on the customer's construction project size, the customer's payment history take into account information specific to the customer, as well as pertaining to the economic environment in which the customer operates. For sales of pipes and concrete, debtors with balances that are more than six months past due are requested to settle all outstanding balances before any further credit is granted. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risks on bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical location is mainly in the PRC as at 31 December 2021 and 2020. Other than that, the Group does not have any other significant concentration of credit risk.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and bills receivables	Other financial assets
Low Risk	The aging of the exposure at default ("EAD") is less than 60 days. Based on Management's assessment of debtor's typical project and payment processes, aging of EAD of less than 60 days is considered current.	Lifetime ECL– not credit-impaired	12m ECL
Fair Risk	The aging of EAD is less than 1 year. Based on Management's assessment of debtor's typical payment process in the industry, aging of EAD of less than 1 year is considered reasonable.	Lifetime ECL– not credit-impaired	12m ECL
Substandard	The risk of non-payment increases as the time period is longer than normal expected process.	Lifetime ECL– not credit-impaired	Lifetime ECL– not credit-impaired
Doubtful	Indicates the aging of the debtor is within 2 years, the recovery of complete payments may be difficult.	Lifetime ECL– credit-impaired	Lifetime ECL– credit-impaired
Loss	Indicates the aging of the debtor is more than 2 years, the recovery of complete payment becomes unlikely.	Lifetime ECL– credit-impaired	Lifetime ECL– credit-impaired

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

Financial asset with credit risk exposure

Trade and bills receivables

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its business operation. The Group measures loss allowance for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significant different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables as at 31 December 2021 and 2020:

	31 December 2021			31 December 2020		
	Expected loss rate	**Gross carrying amount** *RMB'000*	**Loss allowance** *RMB'000*	Expected loss rate	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Type 1: Customers within the Group expected that they will pay on time:						
Grade 1 – Low risk	**0.01%**	**1,117,418**	**123**	0.02%	1,373,978	234
Grade 2 – Fair risk	**7.57%**	**897,367**	**67,906**	9.53%	832,010	79,309
Grade 3 – Substandard	**16.13%**	**293,337**	**47,313**	21.25%	129,239	27,460
		2,308,122	**115,342**		2,335,227	107,003
Type 2: Credit impaired customer:						
Grade 4 – Doubtful	**32.95%**	**101,413**	**33,414**	43.13%	38,857	16,759
Grade 5 – Loss	**34.47%**	**43,539**	**15,008**	51.30%	141,997	72,841
		144,952	**48,422**		180,854	89,600
Type 3: Other customers:						
Assessed individually	**100.00%**	**129,442**	**129,442**	100%	106,713	106,713
		2,582,516	**293,206**		2,622,794	303,316

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

Financial asset with credit risk exposure (Continued)

Trade and bills receivables (Continued)

The estimated loss rates are estimated based on historical observed default rate over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtor is updated.

Movement in the loss allowance account in respect of trade and bills receivables during the year is as follows:

	RMB'000
As at 1 January 2020	264,308
Impairment losses recognised	122,245
Impairment losses reversed	(78,663)
Uncollectible amount written off	(4,574)
At 31 December 2020	303,316
Impairment losses recognised	131,343
Impairment losses reversed	(86,950)
Uncollectible amount written off	(54,503)
At 31 December 2021	**293,206**

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

Financial asset with credit risk exposure (Continued)

Other receivables

Deposits and amounts due from related parties are measured at amortised cost were considered of low credit risk, and thus the impairment provision recognised during the year was limited to 12m ECL.

For amounts due from third parties and other receivables, the management make periodic individual assessment on the recoverability based on historical settlement records, past experience, quantitative and qualitative information that is reasonable and supportive forward-looking information.

As at 31 December 2021, included in amounts due from third parties are amounts due from the former shareholders of certain subsidiaries of the Group, of aggregate gross carrying amounts of RMB442,301,000 (2020: RMB391,740,000). The former shareholders were in financial difficulties and the management of the Group considers the probability of default is significant in view that these amounts have been overdue for a long period of time. Accordingly, loss allowance of RMB398,897,000 (2020: RMB346,939,000) was provided for these amounts as at 31 December 2021 and 2020.

For the remaining balances of amounts due from third parties and other receivables, the management of the Group considers the probability of default by assessing the counterparties' financial background and creditability and accordingly, loss allowance of approximately RMB177,168,000 (2020: RMB192,674,000) was provided as at 31 December 2021.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

Financial asset with credit risk exposure (Continued)

Other receivables (Continued)

Movement in the loss allowance account in respect of other receivables during the year is as follows:

	RMB'000
As at 1 January 2020	507,885
Impairment losses recognised	59,479
Impairment losses reversed	(27,752)
At 31 December 2020	539,612
Impairment losses recognised	123,402
Impairment losses reversed	(86,949)
At 31 December 2021	**576,065**

(ii) Liquidity risk

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, so that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

Shandong Shanshui and the Company are responsible for the Group's overall cash management and the raising of borrowings in the mainland China or overseas market to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

Notwithstanding the continuous improvement in financial performance during the current and prior years which was evidenced by a profit for the current year of RMB2,894,847,000 (2020: RMB3,274,390,000) and net cash generated from operating activities for the current year of RMB3,553,072,000 (2020: RMB3,509,672,000), as at 31 December 2021, the Group's current liabilities exceeded its current assets by RMB1,556,659,000 (2020: RMB2,661,113,000). Its total interest-bearing borrowings (including bank loans, other borrowings, long-term bonds and convertible bonds) amounted to RMB2,528,659,000, out of which RMB2,393,659,000 are due within 12 months from the end of reporting period.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity, operating performance of the Group and its available sources of financing, and are of the opinion that the cash flow generated from operating activities and certain appropriate financing-activities of the Group will be able to meet the funding needs of operations and repay the outstanding interest bearing borrowings.

As at 31 December 2021, the bank balances and cash of the Group amounted to RMB1,423,171,000 (2020: RMB1,401,233,000).The Group has been actively negotiating with a number of PRC banks and financial institutions for renewal of banking facilities. The Group is also maximising its sales effort, including speeding up sales of its existing inventories, seeking new orders and implementing comprehensive-policies to further improve operating cash flows.

The directors of the Company have carried out a detailed review of 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. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the loan finance which may impact the operations of the Group during the next twelve-month 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.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2021 Contractual undiscounted cash outflow						
	Within 3 months or on demand *RMB'000*	**More than 3 months but less than 6 months** *RMB'000*	**More than 6 months but less than 1 year** *RMB'000*	**More than 1 year but less than 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*	**Carrying amount** *RMB'000*
Bank loans *(note 24)*	**–**	**1,832,638**	**616,381**	**154,220**	**–**	**2,603,239**	**2,527,750**
Other borrowings *(note 25)*	**909**	**–**	**–**	**–**	**–**	**909**	**909**
Trade payable *(note 27)*	**3,737,635**	**–**	**–**	**–**	**–**	**3,737,635**	**3,737,635**
Other payables and accrued expenses *(note 28 (a))*	**1,905,087**	**–**	**–**	**–**	**–**	**1,905,087**	**1,905,087**
Long-term payables *(note 28 (c))*	**–**	**–**	**–**	**–**	**710,283**	**710,283**	**263,423**
Lease liabilities *(note 32)*	**–**	**6,794**	**5,698**	**22,081**	**62,174**	**96,747**	**62,875**
	5,643,631	**1,839,432**	**622,079**	**176,301**	**772,457**	**9,053,900**	**8,497,679**

	2020 Contractual undiscounted cash outflow						
	Within 3 months or on demand *RMB'000*	More than 3 months but less than 6 months *RMB'000*	More than 6 months but less than 1 year *RMB'000*	More than 1 year but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Bank loans *(note 24)*	–	969,228	616,698	1,203,755	–	2,789,681	2,661,749
Other borrowings *(note 25)*	912	–	430,383	925	–	432,220	331,818
Long-term bonds *(note 26)*	57,048	192,244	141,843	143,599	–	534,734	436,000
Trade payable *(note 27)*	3,605,201	–	–	–	–	3,605,201	3,605,201
Other payables and accrued expenses *(note 28 (a))*	2,141,696	–	–	–	–	2,141,696	2,141,696
Long-term payables *(note 28 (c))*	–	–	–	–	703,061	703,061	253,741
Lease liabilities *(note 32)*	–	12,031	4,232	26,092	67,114	109,469	72,993
Convertible bonds *(note 31)*	17,488	–	593,455	–	–	610,943	543,263
	5,822,345	1,173,503	1,786,611	1,374,371	770,175	10,927,005	10,046,461

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Interest rate risk

Cash and cash equivalents, pledged bank deposits, bank loans, other borrowings, long-term bonds and convertible bonds are the major types of the Group's financial instruments subject to interest rate risk.

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans to third parties, bank loans, other borrowings, long-term bonds and convertible bonds (see notes 24, 25, 26 and 31 respectively for details of these borrowings). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 23 for details) and variable-rate bank loans (see note 24 for details). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of base rate announced by the People's Bank of China or applicable market rates arising from the Group's Renminbi denominated borrowings. The management does not anticipate fluctuation of interest rate to have significant impact to cash and cash equivalents and pledged bank deposits because the interest rates of the bank deposits are not expected to change significantly. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Interest rate risk (Continued)

Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing bank loans, other borrowings, long-term bonds and convertible bonds at the end of the reporting period.

	2021		2020	
	Effective interest rate		Effective interest rate	
	%	***RMB'000***	*%*	*RMB'000*
Fixed rate borrowings:				
Bank loans	**4.15%-5.08%**	**330,000**	4.35%–7.00%	374,000
Other borrowings	**–**	**–**	6.49%–7.70%	330,000
Long-term bonds	**–**	**–**	0%–6.20%	436,000
Convertible bonds	**–**	**–**	13.00%	543,263
		330,000		1,683,263
Variable rate borrowings:				
Bank loans	**4.30%-5.00%**	**2,197,750**	4.22%–5.00%	2,287,749
Other borrowings	**1.80%**	**909**	1.80%	1,818
		2,198,659		2,289,567
Total borrowings		**2,198,659**		3,972,830
Net fixed rate borrowings as a percentage of total borrowings		**13%**		42%

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Interest rate risk (Continued)

Sensitivity analysis

At 31 December 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and accumulated profit by approximately RMB6,751,000 (2020: RMB10,619,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and accumulated profit) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and in respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and accumulated profit) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2020.

(iv) Currency risk

The Group does not have significant currency risk.

The Group did not hedge its foreign currency exposure other than by retaining its foreign currency denominated earnings and receipts to the extent permitted by the State Administration of Foreign Exchange. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(v) Equity price risk

The Group is exposed to equity price changes primarily arising from the investments in equity securities measured at FVTPL (see note 18).

For equity securities measured at FVTPL quoted in the Shanghai Stock Exchange, the investments have been chosen by the management based on its longer term growth potential and is monitored regularly by the management for performance against expectations.

At 31 December 2021, it is estimated that an increase/decrease of 50% (2020: 50%) in the relevant stock price of the listed investment with all other variables held constant, would have increased/decreased the Group's profit after tax (and accumulated profit) by RMB2,218,000 (2020: RMB2,156,000) as a result of the change in the stock price of the listed investment.

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax and accumulated profit that would arise assuming that the changes in the stock price had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock price, that none of the Group's financial assets at FVTPL would be considered impaired as a result of the decrease in the relevant stock price, and that all other variables remain constant. The analysis is performed on the same basis for 2020.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments

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

(i) Fair value measurement and valuation process

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

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

36. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (Continued)

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

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

Financial assets	Fair value as at 31/12/2021 *RMB'000*	Fair value as at 31/12/2020 *RMB'000*	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to the fair value
1 Equity securities listed in the PRC classified as financial assets at FVTPL	5,915	5,748	Level 1	Quoted bid prices in an active market	N/A	N/A
2 Unquoted equity investments in PRC non-listed companies classified as financial assets at FVTPL	15,005	17,164	Level 3	Guideline public company method	Discount for lack of marketability: 15% (2020: 15%)	The higher the discount for lack of marketability, the lower the fair value
3 Derivative component of convertible bonds	–	243,747	Level 3	Monte-Carlo method	Expected volatility: 33.27% for 2020	The higher the expected volatility, the lower the fair value.
					Risk-free rate: 0.13% for 2020	The higher the risk-free rate, the higher the fair value.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (Continued)

(iii) Reconciliation of Level 3 fair value measurements

	Unlisted equity securities *RMB'000*	Derivative component of convertible bonds *RMB'000*
At 1 January 2020	**40,661**	**187,779**
Fair value gain (included in profit or loss)	**1,003**	**72,042**
Withdrawal of investment	**(24,500)**	**–**
Exchange realignment	**–**	**(16,074)**
At 31 December 2020	**17,164**	**243,747**
Fair value loss (included in profit or loss)	**(2,159)**	**(242,667)**
Exchange realignment	**–**	**(1,080)**
At 31 December 2021	**15,005**	**–**

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

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

37. CAPITAL COMMITMENTS

	2021	2020
	RMB'000	*RMB'000*
Capital expenditure in respect of the acquisitions of property, plant and equipment authorised and contracted for but not provided for in the consolidated financial statements	1,061,592	765,849

38. CONTINGENT LIABILITIES AND OTHER EVENTS

(a) Litigation contingencies

As at 31 December 2021, several litigation claims were initiated by the customers against the Group to demand immediate repayment of the outstanding balance in relation to certain cement and other products sales contracts with an aggregate amount of RMB23,484,000 (2020: RMB28,020,000) which have yet been concluded. No provision for these litigation claims was made in these consolidated financial statements during the year ended 31 December 2021 as in the opinion of the directors of the Company, the possibility of an outflow of economic resources is remote.

(b) Litigation in the Cayman Islands

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

On 21 March 2019, the Company announced that it was considering applying for a validation order (the "**VO Application**") from the Grand Court to sanction the deposit of share certificates into the Central Clearing and Settlement System ("**CCASS**") of Hong Kong, and asking shareholders who wish to have their share certificates included in any such application for a validation (the "**Requesting Shareholders**") to submit a written request to the Company. On 29 March 2019 (Cayman Islands time), the Company made the VO Application to the Grand Court to, among others, validate the transfer of shares held by the Requesting Shareholders to HKSCC Nominees Limited, the common nominee for shares deposited in CCASS. On 12 September 2019, the Grand Court granted the VO Application and ordered (among other things) the validation of any transfer of shares to HKSCC Nominees Limited by the Company's shareholders and that any such transfer shall not be avoided in the event of any order for the winding-up of the Company (the "**Share Transfer Order**"). On the same day that the judgment was handed down, the Grand Court also granted the petitioner, Tianrui, leave to appeal against its decision to the Court of Appeal. On 18 February 2020 (Cayman Islands time), the Court of Appeal allowed this appeal and reversed the Share Transfer Order. The Company has applied for leave to appeal against the Court of Appeal's decision from the Privy Council which was refused by the Privy Council on 29 September 2021.

38. CONTINGENT LIABILITIES AND OTHER EVENTS (CONTINUED)

(b) Litigation in the Cayman Islands (Continued)

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

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

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

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

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

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

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

38. CONTINGENT LIABILITIES AND OTHER EVENTS (CONTINUED)

(b) Litigation in the Cayman Islands (Continued)

On 19 March 2021, the Petition was served on CNBM and ACC. Thereafter, at a further hearing of the Summons on 16 July 2021, the Grand Court ordered that the Petition be treated as an inter-party proceeding between Tianrui, CNBM and ACC, save that the Company may also participate for the purpose of discovery and to be heard regarding the appropriate remedy should the Petition be granted. At the hearing, Tianrui conceded that the only relief it was seeking in the winding-up proceedings was the liquidation of the Company and was ordered to amend its Petition accordingly. The Grand Court also granted leave to Tianrui to amend the Writ to confine the relief it is seeking to declarations that (i) the exercise by the Company's directors of the power to issue certain convertible bonds on or about 8 August and/or on about 3 September 2018 was not a valid exercise of the said power; (ii) the exercise by the directors on 30 October 2018 of the power to convert the aforesaid bonds and the power to issue new shares was not a valid exercise of the said powers; and (iii) the exercise by the directors of the power to issue all other shares and securities in the Company after 1 August 2018 was not valid exercise of the said power.

Other than the disclosure of the above, as at 31 December 2021, as far as the Group was aware, the Group had no other material litigation or claim which was pending or threatened against the Group. As at 31 December 2021, the Group was the defendant of certain non-material litigations, a party to certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business. The likely outcome of these litigations or other legal proceedings cannot be ascertained at present, but the directors of the Company believe that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Other payables *(note 28)* *RMB'000*	Lease liabilities *(note 32)* *RMB'000*	Bank loans *(note 24)* *RMB'000*	Other borrowings *(note 25)* *RMB'000*	Long-term bonds *(note 26)* *RMB'000*	Convertible bonds *(note 31)* *RMB'000*	Total *RMB'000*
At 1 January 2020	509,719	89,660	3,661,920	492,727	1,371,500	634,057	6,759,583
Proceeds from new bank loans	–	–	1,820,749	–	–	–	1,820,749
Repayment of bank loans	–	–	(2,820,920)	–	–	–	(2,820,920)
Repayment of other borrowings	–	–	–	(160,909)	–	–	(160,909)
Repayment of long-term bonds	–	–	–	–	(935,500)	–	(935,500)
Repayment of lease liabilities	–	(24,147)	–	–	–	–	(24,147)
Total changes from financing cash flow	–	(24,147)	(1,000,171)	(160,909)	(935,500)	–	(2,120,727)
Interest paid classified as operating cash outflow	(460,114)	–	–	–	–	(124,583)	(584,697)
Waiver of interest expenses	(100,688)	–	–	–	–	–	(100,688)
Additions to liabilities	–	3,761	–	–	–	–	3,761
Interest expenses	251,042	3,719	–	–	–	72,013	326,774
Exchange differences	12,925	–	–	–	–	(38,224)	(25,299)
At 31 December 2020	212,884	72,993	2,661,749	331,818	436,000	543,263	4,258,707

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Other payables *(note 28)* *RMB'000*	Lease liabilities *(note 32)* *RMB'000*	Bank loans *(note 24)* *RMB'000*	Other borrowings *(note 25)* *RMB'000*	Long-term bonds *(note 26)* *RMB'000*	Convertible bonds *(note 31)* *RMB'000*	Total *RMB'000*
At 1 January 2021	212,884	72,993	2,661,749	331,818	436,000	543,263	4,258,707
Proceeds from new bank loans	–	–	1,410,750	–	–	–	1,410,750
Repayment of bank loans	–	–	(1,544,749)	–	–	–	(1,544,749)
Repayment of other borrowings	–	–	–	(330,909)	–	–	(330,909)
Repayment of long-term bonds	–	–	–	–	(436,000)	–	(436,000)
Redemption of convertible bonds	–	–	–	–	–	(487,152)	(487,152)
Repayment of lease liabilities	–	(17,739)	–	–	–	–	(17,739)
Total changes from financing cash flow	–	(17,739)	(133,999)	(330,909)	(436,000)	(487,152)	(1,405,799)
Interest paid classified as operating cash outflow	(298,033)	–	–	–	–	(96,997)	(395,030)
Waiver of interest expenses	(54,800)	–	–	–	–	–	(54,800)
Additions to liabilities	–	4,494	–	–	–	–	4,494
Interest expenses	141,133	3,127	–	–	–	43,532	187,792
Exchange differences	–	–	–	–	–	(2,646)	(2,646)
At 31 December 2021	1,184	62,875	2,527,750	909	–	–	2,592,718

40. RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties

Apart from the transactions and the balances with related parties disclosed elsewhere in these consolidated financial statements, the Group also entered into the following significant transactions with related parties during the year ended 31 December 2021 and 2020:

	2021	2020
	RMB'000	*RMB'000*
		(Restated)
Sales		
Associates of the Group	**17,667**	639,021
Fellow subsidiary of a major shareholder of the Company	**298**	2,956*
Subsidiaries of a major shareholder of the Company	**42,819**	41,958*
	60,784	683,935*
Purchase		
Fellow subsidiary of a major shareholder of the Company	**23,668**	10,438*
Subsidiaries of a major shareholder of the Company	**125,728**	92,507*
Associate of a major shareholder of the Company	**1,997**	-
	151,393	102,945*
Mining service fee		
Subsidiaries of a major shareholder of the Company	**518,400**	353,015
Engineering service fee		
Fellow subsidiary of a major shareholder of the Company	**21,484**	30,670*
Subsidiaries of a major shareholder of the Company	**306,370**	103,039*
	327,854	133,709*
Management fee		
Associates of the Group	**6,509**	8,381

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

40. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties

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

	As at 31 December 2021	As at 31 December 2020
	RMB'000	*RMB'000* (Restated)
Trade receivables from (Note (i):		
Subsidiaries of a major shareholder of the Company	**–**	207*
Prepayments to (Note (i):		
Fellow subsidiary of a major shareholder of the Company	**4,518**	13,763*
Subsidiaries of a major shareholder of the Company	**115,482**	132,454*
Associate of a major shareholder of the Company	**3**	–*
	120,003	146,217*
Other receivables from (Note (i):		
Shareholder of the Company	**715**	728
Associates of the Group	**4,162**	4,656
Fellow subsidiary of a major shareholder of the Company	**–**	3*
Subsidiaries of a major shareholder of the Company	**1,823**	6,371*
	6,700	11,758*
Trade payable to (Note (i):		
Associates of the Group	**37,054**	69,384
Fellow subsidiary of a major shareholder of the Company	**2,349**	1,344*
Subsidiaries of a major shareholder of the Company	**139,483**	92,582*
	178,886	163,310*

40. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties (Continued)

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000 (Restated)
Contract liabilities from (Note (i)):		
Associate of the Group	**26**	–*
Fellow subsidiary of a major shareholder of the Company	**12**	444*
Subsidiary of a major shareholder of the Company	**282**	2,008*
	320	2,452*
Other payables to:		
Shareholder of the Company *Note (ii)*	**826,921**	845,322
Associates of the Group	**5,757**	11,703
Subsidiaries of a major shareholder of the Company	**3,019**	2,629*
	835,697	859,654*

Notes:

(i) The amounts are unsecured, interest free and repayable on demand.

(ii) The amount represented loans from Tianrui Group. As at 31 December 2021, the outstanding loans with total principal of RMB 826,921,000 (2020: RMB845,322,000) are unsecured, interest free and repayable on demand.

(iii) As disclosed in the announcement of the Company dated 4 November 2021, the Company has recently come to attention that the PRC subsidiaries of the Company have been carrying out continuing connected transactions with affiliates of China National Building Material Company Limited ("CNBM"), one of the major shareholders of the Company, since CNBM became a substantial shareholder of the Company at the end of 2014. As a result, certain of the amounts for the transactions with related parties during the year ended 31 December 2020 and certain balances with related parties as at 31 December 2020 are restated.

40. 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, including amounts paid to the directors as disclosed in note 11, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Salary, allowances and other benefits	**29,496**	33,586
Contributions to defined contribution retirement plans	**688**	574
	30,184	34,160

The remuneration of directors and senior management is determined by the remuneration committee based on the performance of individuals and market trends.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021	2020
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	**–**	1
Investments in a subsidiary	**680,382**	680,382
Amounts due from subsidiaries	**4,057,867**	4,695,742
	4,738,249	5,376,125
Current assets		
Other receivables	**186**	200
Derivative component of convertible bonds	**–**	243,747
Cash and cash equivalents	**489,817**	560,492
	490,003	804,439
Current liabilities		
Amount due to a subsidiary	**1,261,766**	1,277,769
Other payables and accrued expenses	**883,719**	876,580
Convertible bonds	**–**	543,262
	2,145,485	2,697,611
Net current liabilities	**(1,655,482)**	(1,893,172)
Net assets	**3,082,767**	3,482,953
Capital and reserves		
Share capital	**295,671**	295,671
Reserves	**2,787,096**	3,187,282
Total equity	**3,082,767**	3,482,953

The Company's statement of financial position was approved and authorised for issue by the board of directors on 21 March 2022.

LI Huibao
Director

WU, Ling-ling
Director

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movements in the Company's reserves

	Share premium *RMB'000*	Other reserves *RMB'000*	Exchange reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2020	**8,235,037**	**435,164**	**(295,927)**	**(5,018,065)**	**3,356,209**
Total comprehensive expenses for the year	–	–	(186,698)	17,771	(168,927)
At 31 December 2020	**8,235,037**	**435,164**	**(482,625)**	**(5,000,294)**	**3,187,282**
Total comprehensive expenses for the year	–	–	(83,788)	(316,398)	(400,186)
Lapsed of share option scheme	–	(22,129)	–	22,129	–
At 31 December 2021	**8,235,037**	**413,035**	**(566,413)**	**(5,294,563)**	**2,787,096**

42. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2021	2020	2021	2020	2021	2020	
(a) Enterprise established in Hong Kong									
China Shanshui Cement Group (Hong Kong) Company Limited ("Shanshui Cement Hong Kong") 中國山水水泥集團(香港)有限公司	Hong Kong, PRC 25 January 2005	HKD10,000	**100.00**	100.00	**100.00**	100.00	**–**	–	Investment holding
China Pioneer Cement (Hong Kong) Company Limited 中國先鋒水泥(香港)有限公司	Hong Kong, PRC 25 January 2005	HKD0.01	**100.00**	100.00	**–**	–	**100.00**	100.00	Investment holding
(b) Enterprise established outside the PRC									
Continental Cement Corporation 康達水泥有限公司	British Virgin Islands 30 May 2000	USD100	**100.00**	100.00	**–**	–	**100.00**	100.00	Investment holding
American Shanshui Development INC. 美國山水發展公司	Delaware, U.S.A. 28 June 2012	Paid-in capital USD1,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Selling agent of cement product and building materials

42. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest — Group's effective interest 2021	2020	Held by the Company 2021	2020	Held by subsidiaries 2021	2020	Principal activities
(c) Wholly foreign-owned enterprises established in the PRC									
Shandong Shanshui 山東山水水泥集團有限公司	Shandong, PRC 10 August 2001	Registered capital of RMB3,633,000,000 and paid-in capital RMB3,623,028,752	**100.00**	100.00	**–**	–	**100.00**	100.00	Investment holding
Continental (Shandong) Cement Corporation 康達(山東)水泥有限公司	Shandong, PRC 6 April 2002	USD39,565,500	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of clinker
Shandong Shanshui Financial Leasing Co., Ltd. 山東山水融資租賃有限公司	Shandong, PRC 18 July 2014	RMB230,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Offering financial leasing service
(d) Sino-foreign equity joint venture enterprises established in the PRC									
Pingyin Shanshui Cement Co., Ltd. ("Pingyin Shanshui") 平陰山水水泥有限公司	Shandong, PRC 1 August 2003	RMB178,000,000	**98.97**	98.97	**–**	–	**99.65**	99.65	Production and sales of cement and clinker
Anqiu Shanshui Cement Co., Ltd. 安丘山水水泥有限公司	Shandong, PRC 4 August 2003	RMB226,500,000	**99.00**	99.00	**–**	–	**99.70**	99.70	Production and sales of cement and clinker
Weihai Shanshui Cement Co., Ltd. 威海山水水泥有限公司	Shandong, PRC 25 March 2008	USD24,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and concrete

42. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2021	2020	**2021**	2020	**2021**	2020	
(d) Sino-foreign equity joint venture enterprises established in the PRC (continued)									
Dandong Shanshui Gongyuan Cement Co., Ltd. 丹東山水工源水泥有限公司	Liaoning, PRC 31 March 2008	USD12,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Qingdao Shanshui Chuangxin Cement Co., Ltd. 青島山水創新水泥有限公司	Shandong, PRC 25 April 2008	USD28,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Shenyang Shanshui Gongyuan Cement Co., Ltd. 瀋陽山水工源水泥有限公司	Liaoning, PRC 9 July 2008	USD16,587,400	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Linqu Shanshui Cement Co., Ltd. 臨朐山水水泥有限公司	Shandong, PRC 18 July 2008	Registered capital of USD25,000,000 and paid-in capital USD24,990,700	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and clinker
Zaozhuang Chuangxin Shanshui Cement Co., Ltd. 棗莊創新山水水泥有限公司	Shandong, PRC 5 September 2008	USD30,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and clinker
Linqu Shanshui Building Material Aggregate Co., Ltd. 臨朐山水建材骨料有限公司	Shandong, PRC 27 December 2012	USD5,060,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of concrete aggregate

42. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2021	2020	2021	2020	2021	2020	
(e) Domestic companies established in the PRC									
Liaoyang Qianshan Cement Co., Ltd. 遼陽千山水泥有限責任公司	Liaoning, PRC 5 June 1989	Registered capital of RMB100,000,000 and paid in capital RMB34,935,000	**73.00**	73.00	**–**	–	**73.00**	73.00	Production and sales of cement and clinker
Shandong Cement Factory Co., Ltd. 山東水泥廠有限公司	Shandong, PRC 3 April 1990	RMB182,000,000	**99.00**	99.00	**–**	–	**99.00**	99. 00	Production and sales of cement and concrete; production of limestone
Guangrao Shanshui Cement Co., Ltd. 廣饒山水水泥有限公司	Shandong, PRC 8 May 1998	RMB18,760,000	**70.00**	70.00	**–**	–	**70.00**	70.00	Production and sales of cement
Liaoning Shanshui 遼寧山水工源水泥有限公司	Liaoning, PRC 13 July 1998	RMB2,000,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and related products
Feicheng City Mashan Cement Co., Ltd. 肥城山水水泥有限公司	Shandong, PRC 16 June 1999	RMB30,000,000	**90.00**	90.00	**–**	–	**90.00**	90.00	Production and sales of cement

42. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Group's effective interest 2021	Group's effective interest 2020	Held by the Company 2021	Held by the Company 2020	Held by subsidiaries 2021	Held by subsidiaries 2020	Principal activities
(e) Domestic companies established in the PRC (continued)									
Chifeng Yuanhang 赤峰山水遠航水泥有限公司	Inner Mongolia, PRC 5 August 2000	RMB200,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and related products
Jinan Shi-ji Chuang-xin Cement Co., Ltd. 濟南世紀創新水泥有限公司	Shandong, PRC 17 January 2002	RMB41,460,000	**95.18**	95.18	**–**	–	**95.18**	95.18	Production and sales of cement and related products
Tianjin City Tianhui Cement Co., Ltd. 天津市天暉水泥有限公司	Tianjin, PRC 22 July 2002	RMB16,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and related products
Changle Shanshui Cement Co., Ltd. 昌樂山水水泥有限公司	Shandong, PRC 30 July 2002	RMB24,700,000	**99.00**	99.00	**–**	–	**99.00**	99.00	Production and sales of cement, clinker and concrete
Yantai Shanshui Cement Co., Ltd. 煙台山水水泥有限公司	Shandong, PRC 22 November 2002	RMB155,500,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement

42. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2021	2020	**2021**	2020	**2021**	2020	
(e) Domestic companies established in the PRC (continued)									
Jinan Shanshui Wuliugang Co., Ltd. 濟南山水物流港有限公司	Shandong, PRC 28 March 2003	RMB10,000,000	**99.00**	99.00	**–**	–	**99.00**	99.00	Logistic service and sales of coal
Binzhou Shanshui Cement Co., Ltd. 濱州山水水泥有限公司	Shandong, PRC 30 July 2003	RMB5,000,000	**99.00**	99.00	**–**	–	**99.00**	99.00	Production and sales of cement
Shandong Shanshui Cement Industrial Design Development Co., Ltd. 山東山水水泥工業設計開發有限公司	Shandong, PRC 1 August 2003	RMB6,000,000	**90.00**	90.00	**–**	–	**99.00**	90.00	Development, manufacture, sales and technical support of cement related equipments
Liaocheng Shanshui Cement Co., Ltd. 聊城山水水泥有限公司	Shandong, PRC 1 August 2003	RMB20,000,000	**99.00**	99.00	**–**	–	**99.00**	99.00	Production and sales of cement and concrete
Gucheng Shanshui Cement Co., Ltd. 故城山水水泥有限公司	Hebei, PRC 4 August 2003	RMB5,000,000	**99.00**	99.00	**–**	–	**99.00**	99.00	Production and sales of cement
Dongying Shanshui Cement Co., Ltd. 東營山水水泥有限公司	Shandong, PRC 4 August 2003	RMB5,000,000	**99.00**	99.00	**–**	–	**99.00**	99.00	Production and sales of cement

42. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Group's effective interest 2021	2020	Held by the Company 2021	2020	Held by subsidiaries 2021	2020	Principal activities
(e) Domestic companies established in the PRC (continued)									
Zibo Shanshui Cement Co., Ltd. 淄博山水水泥有限公司	Shandong, PRC 5 August 2003	RMB60,000,000	**99.00**	99.00	**–**	–	**99.00**	99.00	Production and sales of cement, clinker and limestone
Liaocheng Meijing Zhongyuan Cement Co., Ltd. 聊城美景中原水泥有限公司	Shandong, PRC 5 August 2003	RMB20,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and clinker
Weifang Shanshui Cement Co., Ltd. ("Weifang Shanshui") 濰坊山水水泥有限公司	Shandong, PRC 29 December 2003	RMB150,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement, limestone and concrete
Qingdao Shanshui Hengtai Cement Co., Ltd. 青島山水恒泰水泥有限公司	Shandong, PRC 10 June 2004	RMB50,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and related products
Zibo Shuangfeng Shanshui Cement Co., Ltd. 淄博雙鳳山水水泥有限公司	Shandong, PRC 1 July 2004	RMB150,000,000	**99. 93**	99. 93	**–**	–	**99. 93**	99. 93	Production and sales of cement

42. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2021	2020	**2021**	2020	**2021**	2020	
(e) Domestic companies established in the PRC (continued)									
Zaozhuang Shanshui Cement Co., Ltd. 棗莊山水水泥有限公司	Shandong, PRC 28 July 2004	RMB70,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and clinker
Jining Shanshui Cement Co., Ltd. 濟寧山水水泥有限公司	Shandong, PRC 21 January 2005	RMB100,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement, clinker,
Juye Shanshui Cement Co., Ltd. 巨野山水水泥有限公司	Shandong, PRC 17 May 2006	RMB10,000,000	**99. 96**	99. 96	**–**	–	**100.00**	100.00	Production and sales of cement
Yishui Shanshui Cement Co., Ltd. 沂水山水水泥有限公司	Shandong, PRC 28 September 2007	RMB128,700,000	**99. 38**	99. 38	**–**	–	**99. 38**	99. 38	Production and sales of clinker and limestone
Kenli Shanshui Cement Co., Ltd. 墾利山水水泥有限公司	Shandong, PRC 21 December 2007	RMB12,000,000	**90.00**	90.00	**–**	–	**90.00**	90.00	Production and sales of cement
Qingdao Huading Building Material Co., Ltd. 青島華鼎建材有限公司	Shandong, PRC 24 January 2008	RMB20,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of concrete
Weifang Ningshi Shanshui Cement Co., Ltd. 濰坊凝石山水水泥有限公司	Shandong, PRC 16 May 2008	RMB20,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Yishui Chuangxin Shanshui Cement Co., Ltd. 沂水創新山水水泥有限公司	Shandong, PRC 2 June 2009	RMB10,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement

42. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2021	2020	**2021**	2020	**2021**	2020	
(e) Domestic companies established in the PRC (continued)									
Qingdao Shanshui Jianxin Cement Co., Ltd. 青島山水建新水泥有限公司	Shandong, PRC 18 June 2009	RMB20,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Weifang Binhai Shanshui Cement Co., Ltd. 濰坊濱海山水水泥有限公司	Shandong, PRC 4 August 2009	RMB42,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Tianjin Shanshui Cement Co., Ltd. 天津山水水泥有限公司	Tianjin, PRC 26 August 2009	RMB100,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Shanxian Shanshui Cement Co., Ltd. 單縣山水水泥有限公司	Shandong, PRC 27 August 2009	RMB60,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Caoxian Shanshui Cement Co. , Ltd. 曹縣山水水泥有限公司	Shandong, PRC 28 August 2009	RMB22,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Bozhou Shanshui Cement Co., Ltd. 亳州山水水泥有限公司	Anhui, PRC 3 September 2009	RMB40,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Establishment of cement production line
Bengbu Shanshui Cement Co., Ltd. 蚌埠山水水泥有限公司	Anhui, PRC 4 September 2009	RMB30,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Establishment of cement production line
Weishan Shanshui Cement Co., Ltd. 微山山水水泥有限公司	Shandong, PRC 28 September 2009	RMB100,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and clinker

42. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Group's effective interest 2021	Group's effective interest 2020	Held by the Company 2021	Held by the Company 2020	Held by subsidiaries 2021	Held by subsidiaries 2020	Principal activities
(e) Domestic companies established in the PRC (continued)									
Shanxi Shanshui Cement Co., Ltd. ("Shanxi Shanshui") 山西山水水泥有限公司	Shanxi, PRC 25 December 2009	RMB1,716,500,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Sales of cement and cement related products
Laoling Shanshui Cement Co., Ltd. 樂陵山水水泥有限公司	Shandong, PRC 9 February 2010	RMB30,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and related products
Qingdao Huading New Building Material Co., Ltd. 青島華鼎建築新材料有限公司	Shandong, PRC 10 February 2010	RMB16,103,200	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of concrete
Dezhou Zhucheng Concrete Co., Ltd. 德州築城商品混凝土有限公司	Shandong, PRC 2 March 2010	RMB10,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of concrete
Weifang Wanda Building Materials Co., Ltd. 濰坊萬達建材有限公司	Shandong, PRC 17 March 2010	RMB10,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of concrete
Kashi Shanshui Cement Co., Ltd. ("Kashi Shanshui") 喀什山水水泥有限公司	Xinjiang, PRC 17 August 2010	RMB500,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Dezhou Tianqi Concrete Co., Ltd. 德州天祺商品混凝土有限公司	Shandong, PRC 31 August 2010	RMB10,000,000	**60.00**	60.00	**–**	–	**60.00**	60.00	Production and sales of concrete
Shenxian Shanshui Cement Co., Ltd. 莘縣山水水泥有限公司	Shandong, PRC 22 October 2010	RMB10,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and cement related products

42. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Group's effective interest 2021	2020	Held by the Company 2021	2020	Held by subsidiaries 2021	2020	Principal activities
(e) Domestic companies established in the PRC (continued)									
Shandong Shanshui Building Materials Co., Ltd. 山東山水建築材料有限公司	Shandong, PRC 2 March 2011	RMB300,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of building materials and related products
Huixian City Shanshui Cement Co., Ltd. 輝縣市山水水泥有限公司	Henan, PRC 30 June 2011	RMB100,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Establishment of clinker production line
Shandong Runshenyuan Water Co., Ltd. 山東潤生源山泉水有限公司	Shandong, PRC 24 April 2018	RMB5,000,000	**90.00**	90.00	**–**	–	**90.00**	90.00	Production and sales of mineral water
Weifang City Leixin Concrete Co., Ltd. 濰坊市磊鑫混凝土有限公司	Shandong, PRC 16 August 2011	RMB10,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of concrete
Zhoukou Shanshui Pipeline Co., Ltd. 周口山水管道有限公司	Henan, PRC 22 August 2011	RMB30,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and cement related products
Dongming Shanshui Cement Co., Ltd. 東明山水水泥有限公司	Shandong, PRC 20 March 2012	RMB35,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Jiaxiang Shanshui Aggregate Co., Ltd. 嘉祥山水骨料有限公司	Shandong, PRC 10 October 2012	RMB10,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of concrete aggregate
Shandong Shanshui Cement Group International Trading Co., Ltd. 山東山水水泥集團國際貿易有限責任公司	Shandong, PRC 5 March 2013	RMB10,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Import and export of cement, clinker and related products

42. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Group's effective interest 2021	Group's effective interest 2020	Held by the Company 2021	Held by the Company 2020	Held by subsidiaries 2021	Held by subsidiaries 2020	Principal activities
(e) Domestic companies established in the PRC (continued)									
Feicheng Shanshui Concrete Co., Ltd. 肥城山水商砼有限公司	Shandong, PRC 5 September 2013	RMB30,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of concrete
Qingdao Ji'an Concrete Co., Ltd. 青島基安混凝土有限公司	Shandong, PRC 29 January 2010	RMB10,200,000	**100.00**	70.00	**–**	–	**100.00**	70.00	Production and sales of concrete
Heze Fuyu Concrete Co., Ltd. 菏澤福余混凝土有限公司	Shandong, PRC 12 March 2013	RMB15,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of concrete
Rushan Shanshui Cement Co., Ltd. 乳山山水水泥有限公司	Shandong, PRC 17 November 2005	RMB5,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and cement related products
Xinghao Cement Co., Ltd. 棲霞市興昊水泥有限公司	Shandong, PRC 10 January 2005	RMB200,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and clinker related products
Shandong Shanshui Heavy Industries Co., Ltd. 山東山水重工有限公司	Shandong, PRC 12 March 2002	RMB171,000,000	**99.99**	99.99	**–**	–	**99.99**	99.99	Installation of equipment and spare parts of cement machines
Huludao Bohai Railway Co., Ltd. 葫蘆島渤海鐵路股份有限公司	Liaoning, PRC 17 July 1993	RMB52,000,000	**62.31**	62.31	**–**	–	**88.02**	88.02	Development and maintenance of special railway-lines
Shanghe Shanshui Cement Co., Ltd 商河山水水泥有限公司	Shangdong, PRC 14 January 2021	RMB200,000,000	**100%**	–	**–**	–	**100%**	–	Production and sales of cement and clinker related products
Zibo Shanshui Economic and Trade Co., Ltd 淄博山水經貿有限公司	Shangdong, PRC 15 July 2021	RMB10,000,000	**99%**	–	**–**	–	**100%**	–	Production and sales of cement and clinker related products

42. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2021	2020	**2021**	2020	**2021**	2020	
(e) Domestic companies established in the PRC (continued)									
Tongliao Shanshui Gongyuan Cement Co., Ltd. 通遼山水工源水泥有限公司	Inner Mongolia, PRC 2 April 2004	RMB25,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Chaoyang Shanshui Dongxin Cement Co., Ltd. 朝陽山水東鑫水泥有限公司	Liaoning, PRC 22 March 2005	RMB200,000,000	**80.00**	80.00	**–**	–	**80.00**	80.00	Production and sales of cement
Bohai Cement (Huludao) Co., Ltd. 渤海水泥(葫蘆島)有限公司	Liaoning, PRC 29 August 2005	RMB100,000,000	**70.00**	70.00	**–**	–	**70.00**	70.00	Production and sales of cement, clinker and related products
Zhalaite Qi Shanshui Cement Co., Ltd. 紥賚特旗山水水泥有限公司	Inner Mongolia, PRC 17 January 2006	RMB120,000,000	**90.00**	90.00	**–**	–	**90.00**	90.00	Production and sales of cement
Yingkou Shanshui Cement Co., Ltd. 營口山水水泥有限公司	Liaoning, PRC 5 December 2006	RMB30,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Dalian Shanshui Cement Co., Ltd. 大連山水水泥有限公司	Liaoning, PRC 17 August 2007	RMB180,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement, clinker and related products

42. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Group's effective interest 2021	Group's effective interest 2020	Held by the Company 2021	Held by the Company 2020	Held by subsidiaries 2021	Held by subsidiaries 2020	Principal activities
(e) Domestic companies established in the PRC (continued)									
Benxi Shanshui Mining Co., Ltd. 本溪山水礦業有限公司	Liaoning, PRC 18 February 2009	RMB500,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Mining and sales of limestone
Kazuo Congyuanhao Cement Co., Ltd. 喀左叢元號水泥有限責任公司	Liaoning, PRC 2 April 2009	RMB110,000,000	**80.00**	80.00	**–**	–	**100.00**	100.00	Production and sales of cement and clinker
Panjin Shanshui Cement Co., Ltd. 盤錦山水水泥有限公司	Liaoning, PRC 1 September 2009	RMB20,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Wulanhaote Shanshui Cement Co., Ltd. 烏蘭浩特山水水泥有限公司	Inner Mongolia, PRC 13 November 2009	RMB5,000,000	**90.00**	90.00	**–**	–	**90.00**	90.00	Production and sales of cement
Alu Kerqin Qi Shanshui Cement Co., Ltd. 阿魯科爾沁旗山水水泥有限公司	Inner Mongolia, PRC 23 December 2009	RMB76,470,000	**85.00**	85.00	**–**	–	**85.00**	85.00	Production and sales of cement and clinker
Balinyou Qi Shanshui Cement Co., Ltd. 巴林右旗山水水泥有限公司	Inner Mongolia, PRC 19 March 2010	RMB20,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Huolin Guole Shanshui Cement Co., Ltd. 霍林郭勒山水水泥有限公司	Inner Mongolia, PRC 19 April 2010	RMB20,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement

42. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Group's effective interest 2021	Group's effective interest 2020	Held by the Company 2021	Held by the Company 2020	Held by subsidiaries 2021	Held by subsidiaries 2020	Principal activities
(e) Domestic companies established in the PRC (continued)									
Bohai Cement (Jinzhou) Co., Ltd. 渤海水泥(錦州)有限公司	Liaoning, PRC 5 July 2010	RMB20,000,000	**45. 50**	45. 50	**–**	–	**65.00**	65.00	Production and sales of cement, concrete and related products
Keyouzhong Qi Shanshui Cement Co., Ltd. 科右中旗山水水泥有限公司	Inner Mongolia, PRC 7 April 2011	RMB30,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Benxi Shanshui Shiye Co., Ltd. 本溪山水實業有限公司	Liaoning, PRC 2 June 2011	Registered capital of RMB20,000,000 and paid in capital RMB 6,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Installation and maintenance of equipment and spare parts of cement machines
Baishan Shanshui Cement Co., Ltd. 白山山水水泥有限責任公司	Jilin, PRC 11 November 2011	RMB100,000,000	**70.00**	70.00	**–**	–	**70.00**	70.00	Production and sales of cement and related products
Aohan Qi Shanshui Cement Co., Ltd. 敖漢旗山水水泥有限公司	Inner Mongolia, PRC 4 January 2012	RMB16,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and related products

42. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Group's effective interest 2021	Group's effective interest 2020	Held by the Company 2021	Held by the Company 2020	Held by subsidiaries 2021	Held by subsidiaries 2020	Principal activities
(e) Domestic companies established in the PRC (continued)									
Dalian Heyuan Investment Management Co., Ltd. 大連合源投資管理有限公司	Liaoning, PRC 8 August 2013	RMB62,230,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Investment and management; consulting; import of goods and technology
Taiyuan Shanshui Cement Co., Ltd. 太原山水水泥有限公司	Shanxi, PRC 27 October 1999	Registered capital of RMB100,000,000 and paid in RMB 60,000,000	**60.00**	60.00	**–**	–	**60.00**	60.00	Production and sales of cement
Jincheng Shanshui Heju Cement Co., Ltd. 晉城山水合聚水泥有限公司	Shanxi, PRC 25 July 2006	RMB240,000,000	**90.00**	90.00	**–**	–	**90.00**	90.00	Production and sales of cement and clinker
Lvliang Yilong Cement Co., Ltd. 呂梁億龍水泥有限公司	Shanxi, PRC 16 November 2007	RMB170,000,000	**90.00**	90.00	**–**	–	**90.00**	90.00	Production and sales of cement and clinker
Yulin Shanshui Cement Co., Ltd. 榆林山水水泥有限公司	Shaanxi, PRC 7 August 2008	RMB60,000,000	**62.00**	62.00	**–**	–	**62.00**	62.00	Production and sales of cement and related products

42. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2021	2020	**2021**	2020	**2021**	2020	
(e) Domestic companies established in the PRC (continued)									
Hequ Zhongtianlong Cement Co., Ltd. 河曲縣中天隆水泥有限公司	Shanxi, PRC 31 August 2009	RMB80,000,000	**68.00**	68.00	**–**	–	**68.00**	68.00	Production and sales of cement and clinker
Wuxiang Shanshui Cement Co., Ltd. 武鄉山水水泥有限公司	Shanxi, PRC 4 November 2009	RMB75,490,000	**55.00**	55.00	**–**	–	**55.00**	55.00	Production and sales of cement and clinker
Jincheng Shanshui Cement Co., Ltd. 晉城山水水泥有限公司	Shanxi, PRC 22 January 2010	RMB150,000,000	**85.00**	85.00	**–**	–	**85.00**	85.00	Production and sales of cement and clinker
Yulin Shanshui Environmental Building Materials Co., Ltd. 榆林山水環保建材有限公司	Shaanxi, PRC 18 February 2011	RMB80,400,000	**85.00**	85.00	**–**	–	**85.00**	85.00	Production and sales of cement and related products
Linfen Shanshui Cement Co., Ltd. 臨汾山水水泥有限公司	Shanxi, PRC 13 May 2011	RMB200,000,000	**90.00**	90.00	**–**	–	**90.00**	90.00	Establishment of cement production line

42. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2021	2020	**2021**	2020	**2021**	2020	
(e) Domestic companies established in the PRC (continued)									
Shuozhou Shanshui New Era Cement Co., Ltd. 朔州山水新時代水泥有限公司	Shanxi, PRC 10 June 2011	RMB160,000,000	**75.00**	75.00	**–**	–	**75.00**	75.00	Establishment of cement and related products production line
Jingbian Xian Shanshui Cement Co., Ltd. 靖邊縣山水水泥有限公司	Shaanxi, PRC 15 November 2011	RMB30,000,000	**80.00**	80.00	**–**	–	**80.00**	80.00	Production and sales of cement
Shenmu Xian Meijian Cement Co., Ltd. 神木縣煤建水泥有限公司	Shaanxi, PRC 4 April 1994	RMB60,000,000	**70.00**	70.00	**–**	–	**70.00**	70.00	Production and sales of cement
Shanxi Yongzhongsheng Environmental Building Material Co., Ltd. 山西永中晟環保建材有限公司	Shanxi, PRC 30 August 2012	RMB40,000,000	**100.00**	70.00	**–**	–	**100.00**	70.00	Production and sales of cement
Yangqu County Zhongyu Building Material Co., Ltd. 陽曲縣中宇建材有限公司	Shaanxi, PRC 7 November 2012	RMB1,000,000	**60.00**	60.00	**–**	–	**100.00**	100.00	Production and sales of cement
Taiyuan Guangsha Cement Co., Ltd. 太原廣廈水泥有限公司	Shaanxi, PRC 29 December 2015	RMB200,000	**60.00**	60.00	**–**	–	**100.00**	100.00	Production and sales of cement

42. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2021	2020	**2021**	2020	**2021**	2020	
(e) Domestic companies established in the PRC (continued)									
Shule Shanshui 疏勒山水水泥有限公司	Xinjiang, PRC 24 August 2010	RMB50,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and concrete
Yingjisha Shanshui Cement Co., Ltd. 英吉沙山水水泥有限公司	Xinjiang, PRC 24 August 2010	RMB232,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement, concrete and clinker
Shache Shanshui Cement Co., Ltd. 莎車山水水泥有限公司	Xinjiang, PRC 14 October 2010	RMB50,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and concrete
Kezhou Shanshui Materials Trading Co., Ltd. 克州山水物貿有限公司	Xinjiang, PRC 17 April 2013	RMB20,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Logistic service and sales of cement and materials

As at 31 December 2020, Shandong Shanshui was prohibited by the PRC Courts from selling or transferring the investments in certain subsidiaries amounting to RMB2,804,164,989 pending the outcome of the legal proceedings initiated by the Group's creditors relating to overdue other borrowings and long-term bonds. During the year ended 31 December 2021, the abovementioned other borrowings and long-term bonds have been fully settled and the litigation has been resolved. Accordingly, the court has released the frozen investments as at 31 December 2021.

During the year ended 31 December 2021, the Group acquired the non-controlling interest of Qingdao Ji'an Concrete Co., Ltd. and Shanxi Yongzhongsheng Environmental Building Material Co., Ltd. at cash consideration of RMB11,411,000 in aggregate.

The directors of the Company are of the opinion that none of its subsidiaries has non-controlling interests which are material to the Group.