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

2022 Interim Report

Contents

(I) Definitions

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

"Company" or "China Shanshui" or "Shanshui Cement"	China Shanshui Cement Group Limited
"Group" or "China Shanshui Group"	the Company and its subsidiaries
"Financial Statements"	the consolidated financial statements of the Group
"Reporting Period"	the period from 1 January 2022 to 30 June 2022
"Board"	the Board of Directors of the Company
"Director(s)"	the Director(s) of the Company
"China Shanshui (HK)"	China Shanshui Cement Group (Hong Kong) Company Limited
"Pioneer Cement"	China Pioneer Cement (Hong Kong) Company Limited
"Continental Cement"	Continental Cement Corporation
"American Shanshui"	American Shanshui Development Inc.
"Shandong Shanshui"	Shandong Shanshui Cement Group Company Limited
"ACC"	Asia Cement Corporation
"CNBM"	China National Building Material Company Limited
"CSI"	China Shanshui Investment Company Limited
"Tianrui"	Tianrui (International) Holding Company Limited
"Tianrui Group"	Tianrui Group Company Limited
"Shandong Region"	business covered by Eastern Shandong Operating Region, Western Shandong Operating Region and Southern Shandong Operating Region
"Eastern Shandong Operating Region"	business located at the Eastern Shandong Province, including Weifang, Qingdao, Yantai and Weihai, etc
"Western Shandong Operating Region"	business located at the Central and Western Shandong Province, including Zibo, Jinan and Hebei Province and Tianjin, etc

"Southern Shandong Operating Region"	business located at the Southern Shandong Province, including Zaozhuang, Jining, Heze and Henan Province, etc
"Northeast China Operating Region"	business located at Liaoning Province, the Eastern Inner Mongolia and Jilin Province, etc
"Shanxi Operating Region"	business located at Shanxi Province and Shaanxi Province, etc
"Xinjiang Operating Region"	business located at Kashi, Xinjiang
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"SFO"	Securities and Futures Ordinance (Cap. 571) (as amended, supplemented or otherwise modified from time to time)
"Shares"	the ordinary shares in the share capital of the Company with a nominal value of US$0.01 each
"Shareholder(s)"	holder(s) of the Share(s)
"Articles of Association"	the amended and restated memorandum and articles of association of the Company adopted on 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)*
Ms. WU Ling-ling
Mr. HOU Jianguo

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Executive Committee

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

Nomination Committee

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

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	:	5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong *(with effect from 15 August 2022)*
(4)	Website	:	http://www.sdsunnsygroup.com
(5)	Authorised Representatives	:	LI Huibao and WU Ling-ling
(6)	Company Secretary	:	LEE Mei Yi
(7)	Listing Date	:	4 July 2008
(8)	Exchange on which the Company's shares are listed	:	The Stock Exchange
(9)	Stock code	:	00691
(10)	Stock Short Name	:	Shanshui Cement
(11)	Hong Kong Share Registrar and Transfer Office	:	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
(12)	Legal Adviser as to Hong Kong law	:	Freshfields Bruckhaus Deringer
(13)	Auditor	:	Moore Stephens CPA Limited *(Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)*

(III) Key Data

1. KEY FINANCIAL DATA

(Unit: RMB'000)

	January to June 2022	January to June 2021
Operating revenue	**10,131,698**	10,392,021
Gross profit	**2,304,406**	2,994,252
Gross profit margin	**22.7%**	28.8%
Profit from operations	**822,768**	1,688,409
Profit margin from operations	**8.1%**	16.2%
Profit for the period	**468,716**	1,251,489
Profit attributable to equity shareholders of the Company	**477,009**	1,203,545
Basic earnings per share *(RMB) (Note)*	**0.11**	0.28
Net cash generated from operating activities	**1,262,395**	2,020,965

Note: Basic earnings per share is calculated based on the profit attributable to equity shareholders of the Company for each period and the weighted average number of Shares of 4,353,966,228.

	30 June 2022	31 December 2021
Total assets	**30,973,032**	28,963,687
Total liabilities	**11,771,789**	10,209,805
Equity attributable to equity shareholders of the Company	**18,936,357**	18,488,234
Net gearing ratio *(Note)*	**6.0%**	5.6%

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

2. KEY BUSINESS DATA

	January to June 2022	January to June 2021
Sales volume of cement *('000 tonnes)*	**21,192**	25,145
Sales volume of clinker *('000 tonnes)*	**2,656**	3,992
Sales volume of concrete *('000 m^3)*	**1,512**	1,454
Unit selling price of cement *(RMB/tonne)*	**393.0**	338.2
Unit selling price of clinker *(RMB/tonne)*	**334.0**	263.5
Unit selling price of concrete *(RMB/m^3)*	**435.4**	409.6

(IV) Management Discussion and Analysis

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW

In the first half of 2022, due to the impact of the Russia-Ukraine crisis and sanctions, as well as a new round of resurgence of the COVID-19 pandemic and the implementation of prevention and control policies and other unexpected factors, China's economic development faced the triple pressures of shrinking demand, supply shock and weakening expectations which were increasing once again, with both supply and demand declining, market expectations deteriorating and economic growth slowing significantly. Since May 2022, with the improvement of the pandemic control situation, the government has taken a series of policy measures to stabilise the macro economy and speed up the resumption of work and production, as well as the resumption of business and the market, and the macro economy has started to recover gradually.

In the first half of 2022, the national cement market generally showed the operational characteristics of "shrinking demand, rising stock, bottoming prices, high costs and declining efficiency". In the first half of the year, the national cement production hit an 11-year low and the market demand decreased significantly during the same period, resulting in a serious imbalance between supply and demand, which led to a large drop in cement prices in all regions, especially in the southern market, where prices overshooted on the way down. In June 2022, the factory prices of cement in East China, South Central and Southwest China fell to or below the cost line, while the prices of raw coal rose significantly over the corresponding period of the previous year, resulting in higher production costs for enterprises and posing a significant challenge to their production and operations.

According to the data of the National Bureau of Statistics, in the first half of 2022, the cumulative cement output in the country was 977 million tonnes, representing a year on year ("YOY") decrease of 15%, compared with a YOY increase of 14.1% for the corresponding period of the previous year. The cement output in the first half of the year was at a record low for the same periods in 11 years, and the growth rate of output was the lowest of the century.

In terms of the monthly trend, in the first quarter, due to the sporadic outbreak of COVID-19 cases and the lack of funds for construction projects represented by the real estate sector and the slow resumption of construction, coupled with strict control over the pandemic and poor road transport, the resulting overall sluggish market demand in the first quarter led to a significant double-digit decline in cement output in the country. Generally, the second quarter was a peak season traditionally, however, due to multiple unfavourable factors such as the persistent strict control measures implemented in the areas with resurgent COVID-19 cases, poor road transport and restriction over travelling of people, the downturn in the real estate sector continued with cement output even recording a considerable decline in the second quarter of the year. In April and May, the YOY growth rate of cement output fell to -18.9% and -17%, respectively, the lowest level in history for the same period. (**Source: the website of Digital Cement**)

2. COMPANY'S BUSINESS REVIEW

In the first half of 2022, the Group was committed to refining our fundamental internal management, to enhance the quality of existing manufacturing operations and the sustainability of profits.

As of 30 June 2022, the Group had a total production capacity of 96.79 million tonnes of cement, 50.47 million tonnes of clinker and 17.1 million cubic meters of concrete.

During the Reporting Period, the Group's total sales of cement and clinker were 23,848,000 tonnes, representing a YOY decrease of 18.2%; sales volume of concrete was 1,512,000 cubic meters, representing a YOY increase of 4.0%; operating revenue was RMB10,131,698,000, representing a YOY decrease of 2.5%; and the profit for the period was RMB468,716,000, representing a YOY decrease of 62.5%.

(I) Business analysis

1. Analysis of products revenue and their respective YOY changes

(Unit: RMB'000)

	January–June 2022		January–June 2021		Sales revenue
Product	**Sales revenue**	**proportion**	Sales revenue	proportion	YOY change
Cement	**8,328,072**	**82.2%**	8,460,283	81.4%	-1.6%
Clinker	**887,182**	**8.8%**	1,054,833	10.2%	-15.9%
Concrete	**658,380**	**6.5%**	591,526	5.7%	11.3%
Others	**258,064**	**2.5%**	285,379	2.7%	-9.6%
Total	**10,131,698**	**100.0%**	10,392,021	100%	-2.5%

During the Reporting Period, the Group's operating revenue decreased by 2.5% to RMB10,131,698,000. With regard to revenue breakdown by products, cement revenue amounted to RMB8,328,072,000, representing a YOY decrease of 1.6%, and clinker revenue amounted to RMB887,182,000, representing a YOY decrease of 15.9%. The revenue from concrete amounted to RMB658,380,000, representing a YOY increase of 11.3%.

2. COMPANY'S BUSINESS REVIEW (CONTINUED)

(I) Business analysis (Continued)

2. Analysis of products sales volume, unit selling prices and their respective YOY changes

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

Product	**Sales volume from January to June 2022**	Sales volume from January to June 2021	Sales volume change	**Unit selling price from January to June 2022**	Unit selling price from January to June 2021	Change in unit selling price
	('000 tonnes)	*('000 tonnes)*		***(RMB/tonne)***	*(RMB/tonne)*	
Cement	**21,192**	25,145	-15.7%	**393.0**	338.2	16.2%
Clinker	**2,656**	3,992	-33.5%	**334.0**	263.5	26.8%
	('000 m^3)	*('000 m^3)*		***(RMB/m^3)***	*(RMB/m^3)*	
Concrete	**1,512**	1,454	4.0%	**435.4**	409.6	6.3%

During the Reporting Period, the sales volume of cement of the Group amounted to 21,192,000 tonnes, representing a YOY decrease of 15.7%; the sales volume of clinker amounted to 2,656,000 tonnes, representing a YOY decrease of 33.5%. The unit selling price of cement increased by 16.2% to RMB393.0 per tonne, while the unit selling price of clinker increased by 26.8% to RMB334.0 per tonne. The sales volume of concrete amounted to 1,512,000 cubic meters, representing a YOY increase of 4.0%. The unit selling price of concrete increased by 6.3% to RMB435.4/m^3.

2. COMPANY'S BUSINESS REVIEW (CONTINUED)

(I) Business analysis (Continued)

2. Analysis of products sales volume, unit selling prices and their respective YOY changes (Continued)

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

Operating region	**Average unit selling price from January to June 2022** ***(RMB/tonne)***	Average unit selling price from January to June 2021 *(RMB/tonne)*	Change in unit selling price
Shandong Region	**426.5**	366.4	16.4%
Eastern Shandong Operating Region	**443.3**	376.3	17.8%
Western Shandong Operating Region	**427.9**	363.6	17.7%
Southern Shandong Operating Region	**387.0**	353.0	9.6%
Northeast China Operating Region	**317.4**	292.9	8.4%
Shanxi Operating Region	**367.5**	265.4	38.5%
Xinjiang Operating Region	**468.5**	453.5	3.3%

During the Reporting Period, the average unit selling price of cement in Shandong Region was RMB426.5 per tonne, representing a YOY increase of 16.4%; the average unit selling price of cement in Eastern Shandong Operating Region was RMB443.3 per tonne, representing a YOY increase of 17.8%; the average unit selling price of cement in Western Shandong Operating Region was RMB427.9 per tonne, representing a YOY increase of 17.7%; the average unit selling price of cement in Southern Shandong Operating Region was RMB387.0 per tonne, representing a YOY increase of 9.6%; the average unit selling price of cement in Northeast China Operating Region was RMB317.4 per tonne, representing a YOY increase of 8.4%; the average unit selling price of cement in Shanxi Operating Region was RMB367.5 per tonne, representing a YOY increase of 38.5%; the average unit selling price of cement in Xinjiang Operating Region was RMB468.5 per tonne, representing a YOY increase of 3.3%.

2. COMPANY'S BUSINESS REVIEW (CONTINUED)

(I) Business analysis (Continued)

2. Analysis of products sales volume, unit selling prices and their respective YOY changes (Continued)

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

Product	January–June 2022		January–June 2021		Change in sales volume
	Sales volume ('000 tonnes)	Sales proportion	Sales volume ('000 tonnes)	Sales proportion	
High grade cement	19,907	93.9%	23,398	93.1%	-14.9%
Low grade cement	1,285	6.1%	1,747	7.0%	-26.4%

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

During the Reporting Period, sales volume of high grade cement was 19,907,000 tonnes, representing a YOY decrease of 14.9%, and sales volume of low grade cement was 1,285,000 tonnes, representing a YOY decrease of 26.4%.

2. COMPANY'S BUSINESS REVIEW (CONTINUED)

(I) Business analysis (Continued)

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

(Unit: RMB'000)

Region	**January–June 2022** Sales revenue	**January–June 2022** Sales proportion	January–June 2021 Sales revenue	January–June 2021 Sales proportion	Change of sales revenue
Shandong Region	**6,754,362**	66.7%	6,723,663	64.7%	0.5%
Eastern Shandong Operating Region	**2,756,879**	27.2%	2,738,657	26.4%	0.7%
Western Shandong Operating Region	**2,804,605**	27.7%	2,629,290	25.3%	6.7%
Southern Shandong Operating Region	**1,192,878**	11.8%	1,355,716	13.0%	-12.0%
Northeast China Operating Region	**1,938,363**	19.1%	2,143,104	20.6%	-9.6%
Shanxi Operating Region	**1,168,310**	11.5%	1,300,397	12.5%	-10.2%
Xinjiang Operating Region	**270,663**	2.7%	224,857	2.2%	20.4%
Total	**10,131,698**	100.0%	10,392,021	100.0%	-2.5%

During the Reporting Period, the sales revenue in Shandong Region was RMB6,754,362,000, accounting for 66.7% of the Group's total sales revenue and representing a YOY increase of 0.5%; the sales revenue in Eastern Shandong Operating Region was RMB2,756,879,000, accounting for 27.2% of the Group's total sales revenue and representing a YOY increase of 0.7%; the sales revenue in Western Shandong Operating Region was RMB2,804,605,000, accounting for 27.7% of the Group's total sales revenue and representing a YOY increase of 6.7%; the sales revenue in Southern Shandong Operating Region was RMB1,192,878,000, accounting for 11.8% of the Group's total sales revenue and representing a YOY decrease of 12.0%; the sales revenue in Northeast China Operating Region was RMB1,938,363,000, accounting for 19.1% of the Group's total sales revenue and representing a YOY decrease of 9.6%; the sales revenue in Shanxi Operating Region was RMB1,168,310,000, accounting for 11.5% of the Group's total sales revenue and representing a YOY decrease of 10.2%; the sales revenue in Xinjiang Operating Region was RMB270,663,000, accounting for 2.7% of the Group's total sales revenue and representing a YOY increase of 20.4%.

2. COMPANY'S BUSINESS REVIEW (CONTINUED)

(II) Profit analysis

1. Changes in key profit and loss items

(Unit: RMB'000)

	January–June 2022	January–June 2021	Change
Revenue	**10,131,698**	10,392,021	-2.5%
Gross profit	**2,304,406**	2,994,252	-23.0%
Profit from operations	**822,768**	1,688,409	-51.3%
Profit before taxation	**742,172**	1,582,968	-53.1%
Profit for the period	**468,716**	1,251,489	-62.5%
Profit attributable to equity shareholders of the Company	**477,009**	1,203,545	-60.4%

During the Reporting Period, the Group recorded sales revenue of RMB10,131,698,000, representing a YOY decrease of 2.5%; profit from operations of RMB822,768,000, representing a YOY decrease of 51.3%; profit for the period of RMB468,716,000, representing a YOY decrease of 62.5%; profit attributable to equity shareholders of the Company of RMB477,009,000, representing a YOY decrease of 60.4%. The decrease in profit was mainly due to (i) a decrease in sales volume, (ii) an increase in cost of sales caused by increases in prices of raw materials, coal and electricity, and (iii) an increase in losses incurred during off-peak suspension caused by a YOY increase in the number of days of off-peak season suspension of production.

2. COMPANY'S BUSINESS REVIEW (CONTINUED)

(II) Profit analysis (Continued)

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

(Unit: RMB'000)

Cost of sales	January–June 2022 Amount	January–June 2022 Proportion to sales revenue	January–June 2021 Amount	January–June 2021 Proportion to sales revenue	Change of proportion to sales revenue
Raw materials	**3,216,554**	**31.7%**	3,743,612	36.0%	-4.3 percentage points
Coal	**2,654,929**	**26.2%**	1,776,354	17.1%	9.1 percentage points
Power	**705,074**	**7.0%**	633,491	6.1%	0.9 percentage point
Depreciation and amortisation	**441,509**	**4.4%**	430,057	4.1%	0.3 percentage point
Others	**809,226**	**8.0%**	814,255	7.8%	0.2 percentage point
Total cost of sales	**7,827,292**	**77.3%**	7,397,769	71.2%	6.1 percentage points

During the Reporting Period, the proportion of the Group's total cost of sales to revenue was 77.3%, representing a YOY increase of 6.1 percentage points. In particular, raw material cost decreased by 4.3 percentage points as compared with the same period of last year. Coal, power, depreciation and amortisation and other costs increased by 9.1 percentage points, 0.9 percentage point, 0.3 percentage point and 0.2 percentage point, respectively as compared with the same period of last year.

The decrease in the proportion of cost of raw materials as compared with same period of last year was mainly due to the decrease of production volume of cement and clinker and the decrease of raw material consumption of limestone, ground slag, fly ash and other items for the period. The average purchase price of coal in the first half of 2022 increased by approximately 55.1% from RMB786 per tonne to RMB1,219 per tonne as compared with same period of last year. The cost of electricity increased as compared with same period of last year, which was mainly attributable to the increase of electricity charge for the period. The cost of depreciation and amortisation increased as compared with same period of last year, which was mainly attributable to the successive completion of capital expenditure projects such as technological renovation and the commencement of depreciation.

3. COMPANY'S FINANCIAL REVIEW

(a) Expenses during the period

(Unit: RMB'000)

	January–June 2022		January–June 2021		Changes
	Amount	**Proportion to sales revenue**	Amount	Proportion to sales revenue	in proportion to sales revenue
Selling and marketing expenses	**326,807**	**3.2%**	328,608	3.2%	–
Administrative expenses	**616,470**	**6.1%**	630,728	6.1%	–
Finance expenses	**85,212**	**0.8%**	127,517	1.2%	-0.4 percentage point
Total	**1,028,489**	**10.2%**	1,086,853	10.5%	-0.3 percentage point

During the Reporting Period, the proportion of the Group's selling and marketing as well as administrative expenses to sales revenue has leveled off. In addition, the proportion of the Group's finance expense to sales revenue has a YOY decrease of 0.4 percentage point.

The slight decrease in selling and marketing expenses was mainly due to the YOY decrease in transportation expenses, resulting from the net impact of the decrease in the work amount settled in the period for some key projects for which settlement was made at delivered price; and the increase in transportation cost resulting from factors including the increasing price of oil and traffic control and detour caused by the COVID-19 pandemic in the first half of the year. The decrease in administrative expenses was mainly due to the decrease of estimated bonus resulting from the decrease in profit generated for the period. A YOY decrease of finance expense was mainly due to lower interest expenses as compared with same period of last year resulting from completion of repayment of all bonds.

3. COMPANY'S FINANCIAL REVIEW (CONTINUED)

(b) Changes in balance sheet items

(Unit: RMB'000)

	30 June 2022	31 December 2021	Change
Non-current assets	**21,734,619**	21,177,204	2.6%
Current assets	**9,238,413**	7,786,483	18.6%
Total assets	**30,973,032**	28,963,687	6.9%
Current liabilities	**10,159,947**	9,343,142	8.7%
Non-current liabilities	**1,611,842**	866,663	86.0%
Total liabilities	**11,771,789**	10,209,805	15.3%
Non-controlling interests	**264,886**	265,648	-0.3%
Equity attributable to equity shareholders of the Company	**18,936,357**	18,488,234	2.4%
Total liabilities and equity	**30,973,032**	28,963,687	6.9%
Net gearing ratio	**6.0%**	5.6%	0.4 percentage point

As at 30 June 2022, the Group's total assets were RMB30,973,032,000, total liabilities were RMB11,771,789,000 and its net assets were RMB19,201,243,000. The net gearing ratio was 6.0%, representing an increase of 0.4 percentage point as compared with the end of the last year. The Group's total current assets, total current liabilities and net current liabilities were RMB9,238,413,000, RMB10,159,947,000 and RMB921,534,000, respectively.

3. COMPANY'S FINANCIAL REVIEW (CONTINUED)

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

(Unit: RMB'000)

Term of borrowings	30 June 2022	31 December 2021
Short-term borrowings (including long-term borrowings with maturity within one year)	**2,145,750**	2,393,659
Long-term borrowings	**875,000**	135,000
Total	**3,020,750**	2,528,659

As at 30 June 2022, the Group's total bank borrowings were RMB3,020,750,000, representing an increase of RMB492,091,000 as compared with the end of 2021. Of which, short-term borrowings (including long-term borrowings with maturity within 1 year) amounted to RMB2,145,750,000 and accounted for 71.0% of the Group's total borrowings.

For details in relation to the total borrowings of the Group and their interest rates as at 30 June 2022, please refer to the relevant explanation in Notes 16 and 17 to the condensed consolidated financial statements.

3. COMPANY'S FINANCIAL REVIEW (CONTINUED)

(d) Capital expenditures

During the Reporting Period, the capital expenditures were approximately RMB1,392,222,000, which were mainly invested in respect of intelligent production, mine resources reserves, and new construction and technical renovation of cement and clinker production lines.

Outstanding capital commitments under relevant agreements not provided for in the financial statements as at 30 June 2022 were as follows:

(Unit: RMB'000)

	30 June 2022	31 December 2021
Authorised and contracted for	**1,689,402**	1,061,592
Authorised but not contracted for	**1,814,678**	1,093,965
Total	**3,504,080**	2,155,557

3. COMPANY'S FINANCIAL REVIEW (CONTINUED)

(e) Net cash flow analysis

(Unit: RMB'000)

	January–June 2022	January–June 2021
Net cash flow generated from operating activities	**1,262,395**	2,020,965
Net cash flow used in investing activities	**(1,350,897)**	(1,014,418)
Net cash flow generated from/(used in) financing activities	**470,136**	(935,588)
Net change in cash and cash equivalents	**381,634**	70,959
Balance of cash and cash equivalents as at 1 January	**1,423,171**	1,401,233
Effect of foreign exchange rates change	**(10,681)**	967
Balance of cash and cash equivalents as at 30 June	**1,794,124**	1,473,159

Net cash generated from operating activities

During the Reporting Period, the Group recorded a net cash generated from operating activities of RMB1,262,395,000, representing a YOY decrease of RMB758,570,000, mainly due to an increase in operating cash outflow as a result of increases in prices of raw materials, coal and electricity for the period.

Net cash generated used in investing activities

During the Reporting Period, the Group recorded a net cash used in investing activities of RMB1,350,897,000, representing a YOY increase of RMB336,479,000, mainly due to the increase in capital expenditure for new construction and technical renovation of cement and clinker production lines and the purchase of equipment in the period.

Net cash generated from/(used in) financing activities

During the Reporting Period, the Group recorded a net cash used in financing activities of RMB470,136,000, representing a YOY increase of RMB1,405,724,000, mainly due to the early repayment of bonds in the first half of the year, and the YOY increase in the Group's banks loans for the period.

3. COMPANY'S FINANCIAL REVIEW (CONTINUED)

(f) Material acquisition and disposal

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

(g) Pledge of assets

Details in relation to pledge of assets of the Group as at 30 June 2022 are set out in Note 16 to the condensed consolidated financial statements.

(h) Contingent liabilities

Details in relation to contingent liabilities of the Group as at 30 June 2022 are set out in Note 24 to the condensed consolidated financial statements.

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

On 6 August 2018 and 30 August 2018, the Company entered into respective subscription agreements with subscribers in relation to issuance 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**").

3. COMPANY'S FINANCIAL REVIEW (CONTINUED)

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

The original intended use of proceeds as set out in the Convertible Bonds Announcements and the actual use of proceeds up to 30 June 2022 are set out below:

Unit: US$ million

Intended use of proceeds	Intended allocation of net proceeds from issuance of the Convertible Bonds	Unutilized amount as of 31 December 2020 and brought forward to 1 January 2021	Amount utilised from 1 January 2021 to 31 December 2021	Unutilized amount as of 31 December 2021 and brought forward to 1 January 2022	Amount utilised from 1 January 2022 to 30 June 2022	Unutilized amount as of 30 June 2022	Expected timeline for utilising the unutilised amount
First 2018 Convertible Bonds							
(i) redemption of the US$500,000,000 7.50% 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	49.3	3.9	45.4	0.8	44.6	On or before 31 December 2023
Total	531.6	49.3	3.9	45.4	0.8	44.6	

3. COMPANY'S FINANCIAL REVIEW (CONTINUED)

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

As at 30 June 2022, 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. OUTLOOK FOR THE SECOND HALF OF THE YEAR

Operational situation analysis

Since the beginning of this year, due to the impact of the COVID-19 pandemic, the market was remained sluggish from the beginning of this year to date, with lack of demand and declining sales volume. Besides, the prices of raw materials and fuels and electricity increased significantly YOY, resulting in a significant increase in production costs. In addition, the downtime of kilns increased YOY in the first half of this year, resulting in increased losses from suspension of production. In the first half of 2022, due to the combined impact of the aforementioned multiple profit-reducing factors, the profit declined YOY. Looking forward to the second half of this year, with the improvement of the COVID-19 pandemic control and the gradual release of infrastructure projects, the market demand is expected to pick up and benefits are expected to gradually improve.

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

(I) The Company plans to give full play to its quality and brand advantages and strengthen its customer service measures, to expand the market, increase sales volume and stabilise prices.

(II) The Company plans to standardize management, reduce costs and increase efficiency. Firstly, the Company will strengthen production management, ensure the efficient operation of the rotary kilns and other main equipment, optimise various production technology indicators, strengthen production quality control and enhance the influence of its brand. Secondly, the Company will strengthen the management of procurement and supply, strictly control the process of procurement and supply, so as to effectively reduce expenses and material procurement costs. Thirdly, the Company will strengthen project management, improve the level and efficiency of decision making, and achieve accurate and effective investment; Fourthly, the Company will strengthen financial and audit management, so as to ensure the safety of the capital chain.

(III) The Company plans to attach great importance to safety and environmental protection management. The Company will promote safety standardisation, strengthen safety training and cement the foundation for safe production; carry out in-depth identification and management of safety hazards, strengthen control over key posts and prevent the occurrence of various accidents; strengthen the responsibilities of various personnel at all levels to reinforce safety and environmental protection, raise employees' awareness of the red line and laws, and observe the defense line of safety and environmental protection.

5. EMPLOYEES AND THEIR REMUNERATION

As of 30 June 2022, the Group had a total of 17,699 employees. The Group provides retirement insurance, medical insurance and unemployment insurance and makes contributions to the housing provident scheme for its employees in the PRC in accordance with applicable laws and regulations in the PRC. The Group remunerates its employees based on their respective work performance and experience and reviews its employee remuneration policies as and when appropriate.

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

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

1. CHANGES IN SHARE CAPITAL AND GENERAL INFORMATION ON THE LISTING OF SHARES

As of 30 June 2022, the Company's authorised share capital was US$100,000,000 divided into 10,000,000,000 Shares of par value of US$0.01 each.

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

As of 30 June 2022, the Company has issued a total of 4,353,966,228 Shares.

2. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

(1) Shareholdings of substantial shareholders

As of 30 June 2022, the interests or short positions of persons, other than the Directors and Chief Executive of the Company, in the Shares and underlying shares of the Company, which would be required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register maintained under section 336 of the SFO, were as follows:

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

2. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

(1) Shareholdings of substantial shareholders (Continued)

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

Notes:

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

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

(2b) On 22 March 2016, Tianrui Group, the Company's substantial shareholder, notified the Company that it has pledged 791,000,000 shares of the Company in favor of China Bohai Bank Co., Ltd. Dalian Branch ("**Bohai Bank**") for a bank loan. In addition, according to the Form 2 filed on 8 June 2021 by Bohai Bank, on 25 April 2019, Tianrui Group has pledged an additional 160,462,000 Shares held by it in favour of Bohai Bank pursuant to a loan agreement entered into between Tianrui Group (as the borrower) and Bohai Bank (as the lender) on 7 March 2019. 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) Shen Neng International SPC – Green Planet SP is wholly owned by Shen Neng Investment Management Limited.

(8) The number of issued shares of the Company as at 30 June 2022 was 4,353,966,228.

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

2. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

(1) Shareholdings of substantial shareholders (Continued)

Save as disclosed above, and so far as the Directors are aware, as at 30 June 2022, no person, other than Directors or the Chief Executive of the Company, had an interest or short position in the Shares or underlying shares of the Company which would need to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register maintained pursuant to Section 336 of the SFO.

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

As of 30 June 2022, none of the Directors or the chief executives of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, which would be required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

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

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

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

4. SHARE OPTION SCHEME

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

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

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

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

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

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

Out of the options to subscribe for 163,700,000 Shares granted on 27 January 2015, 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.

4. SHARE OPTION SCHEME (CONTINUED)

Accordingly, taking into account all the options granted and conditionally granted, the outstanding Existing Scheme Mandate Limit as of the date of this report is 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 30 June 2022.

Details of the options are set out as follows:

					Number of Share Options				
Type of Grantee	Date of Grant	Vesting period	Exercise period	Exercise price	Outstanding as at 1 January 2022	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at 30 June 2022
Employees and directors of subsidiaries and associates	25 May 2011	Nil	25 May 2011 – 24 May 2021	HK$7.90	–	–	–	–	–
	27 January 2015	Six months after the date of grant	27 July 2015 – 26 January 2025	HK$3.68	92,300,000	–	–	–	92,300,000
					92,300,000	–	–	–	92,300,000

4. SHARE OPTION SCHEME (CONTINUED)

Summary of the principal terms of the share option scheme

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

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

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

The validity of the options granted by the Board on 25 May 2011 shall be ten years from 25 May 2011, and were lapsed in accordance with the terms of the Share Option Scheme. The validity of the options granted by the Board on 27 January 2015 shall be ten years from 27 January 2015.

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

5. PRE-EMPTIVE RIGHTS

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

1. MATERIAL LITIGATION IN THE CAYMAN ISLANDS

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

The Company is facing a winding-up petition (the "**Cayman Petition**") before the Grand Court of the Cayman Islands (the "**Grand Court**"). The Cayman Petition was filed by one of the shareholders of the Company, Tianrui. The Company has appointed legal counsel in relation to the Cayman Petition.

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 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, 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. 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. On 1 July 2022, the Court of Appeal delivered its judgment and allowed the Company's appeal. Consequently, the Writ will be struck out once the Certificate of the Order of the Court of Appeal is issued. However, the Court of Appeal did leave it open to Tianrui to reconstitute the Writ as a derivative claim.

1. MATERIAL LITIGATION IN THE CAYMAN ISLANDS (CONTINUED)

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

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

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

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

The hearing took place on 23 May 2022 following which the Grand Court settled the list of issue between the parties to the Petition for the purposes of discovery. The parties to the Petition are negotiating the discovery protocol, including the discovery timetable, and a case management hearing has been listed for 22 November 2022 to settle any outstanding issues.

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 today.

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

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

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

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

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

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

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

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

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

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

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

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

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

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

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

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

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

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

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

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

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

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

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

HCA 548 of 2019

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

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

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

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

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

3. MATERIAL LITIGATION IN THE PRC

As of the date of this report, there are 4 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 are 2 unsettled litigations with Shandong Shanshui as defendant: one case concerns with an earning distribution dispute of the Company with the subject matter of the litigation approximately RMB10,702,500; the other case concerns with a construction contract dispute with the subject matter of the litigation approximately RMB6,736,200, both of which are in the first instance.

(2) There is 1 unsettled litigation with Shandong Shanshui as plaintiff: equity transfer dispute, with the subject matter of the litigation approximately RMB30,119,50, which is in the enforcement phase.

(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, which is in the second instance.

4. PUBLIC FLOAT

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

5. CONNECTED TRANSACTIONS

The connected transactions are set out in note 25 to these condensed consolidated financial statements. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

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 six months ended 30 June 2022, 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.

5. CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions (Continued)

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 six months ended 30 June 2022 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	250,060	702,850
Cement Production Equipment and Supplies	28,264	80,000
Engineering and Technical Services	266,157	1,469,885
Clinker and Cement Transactions	74,678	340,000

5. CONNECTED TRANSACTIONS (CONTINUED)

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

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

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

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

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

As of 30 June 2022, the Group borrowed RMB1.581 billion in aggregate on an interest-free basis from Tianrui Group which was mainly used to settle certain debts, including:

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

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

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

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

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

As of 30 June 2022, outstanding borrowings of the Company from Tianrui Group was RMB865 million.

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

For the six months ended 30 June 2022 – Unaudited
(Expressed in Renminbi)

	Notes	Six months ended 30 June 2022 RMB'000	2021 RMB'000
Revenue	3, 4	**10,131,698**	10,392,021
Cost of sales		**(7,827,292)**	(7,397,769)
Gross profit		**2,304,406**	2,994,252
Other income	5	**108,380**	243,464
Impairment losses on trade receivables, net		**(4,093)**	(35,601)
Reversal of impairment losses/(Impairment losses) on other receivables, net		**4,940**	(15,800)
Selling and marketing expenses		**(326,807)**	(328,608)
Administrative expenses		**(616,470)**	(630,728)
Other gains and losses, net	6	**(51,848)**	(21,201)
Expenses incurred during off-peak suspension		**(595,740)**	(517,369)
Profit from operations		**822,768**	1,688,409
Finance costs	7(a)	**(85,212)**	(127,517)
Share of results of associates		**4,616**	22,076
Profit before taxation		**742,172**	1,582,968
Income tax expense	8	**(273,456)**	(331,479)
Profit for the period		**468,716**	1,251,489
Attributable to:			
Equity shareholders of the Company		**477,009**	1,203,545
Non-controlling interests		**(8,293)**	47,944
Profit for the period		**468,716**	1,251,489
Earnings per share	10		
Basic *(RMB)*		**0.11**	0.28
Diluted *(RMB)*		**0.11**	0.28

The notes on pages 47 to 72 form part of these condensed consolidated financial statements.

(VII) Interim Financial Statements (Unaudited)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022 – Unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Profit for the period	**468,716**	1,251,489
Other comprehensive (expense)/income for the period		
Item that will not be reclassified to profit or loss:		
Exchange differences arising on translation from functional currency to presentation currency	**(6,658)**	3,051
Total comprehensive income for the period	**462,058**	1,254,540
Attributable to:		
Equity shareholders of the Company	**470,351**	1,206,596
Non-controlling interests	**(8,293)**	47,944
Total comprehensive income for the period	**462,058**	1,254,540

The notes on pages 47 to 72 form part of these condensed consolidated financial statements.

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

At 30 June 2022 – Unaudited
(Expressed in Renminbi)

	Notes	**At 30 June 2022 RMB'000**	At 31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment	11	**16,288,055**	15,963,349
Right-of-use assets	11	**2,402,188**	2,340,463
Intangible assets	11	**1,453,950**	1,295,554
Goodwill		**90,132**	90,132
Other financial assets		**19,655**	20,920
Interest in associates		**321,276**	316,660
Deferred tax assets		**214,724**	214,911
Other long-term assets		**944,639**	935,215
		21,734,619	21,177,204
Current assets			
Inventories	12	**3,559,206**	2,761,944
Trade and bills receivables	13	**2,038,376**	2,289,310
Prepayments and other receivables	14	**1,620,578**	1,283,150
Restricted bank deposits	15	**226,129**	28,908
Bank balances and cash		**1,794,124**	1,423,171
		9,238,413	7,786,483
Current liabilities			
Bank loans – amount due within one year	16	**2,145,750**	2,392,750
Other borrowings	17	**–**	909
Trade payables	18	**4,736,373**	3,737,635
Other payables and accrued expenses	19	**2,253,139**	2,283,495
Contract liabilities		**773,300**	527,927
Taxation payable		**245,365**	390,574
Lease liabilities		**6,020**	9,852
		10,159,947	9,343,142
Net current liabilities		**(921,534)**	(1,556,659)
Total assets less current liabilities		**20,813,085**	19,620,545

(VII) Interim Financial Statements (Unaudited)

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2022 – Unaudited
(Expressed in Renminbi)

	Notes	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current liabilities			
Bank loans – amount due after one year	16	**875,000**	135,000
Long-term payables		**227,505**	263,423
Defined benefit obligations	20	**107,730**	107,730
Deferred income		**281,811**	243,104
Lease liabilities		**60,595**	53,023
Deferred tax liabilities		**59,201**	64,383
		1,611,842	866,663
Net assets		**19,201,243**	18,753,882
Capital and reserves			
Share capital	21	**295,671**	295,671
Share premium		**8,235,037**	8,235,037
Share capital and share premium		**8,530,708**	8,530,708
Other reserves		**10,405,649**	9,957,526
Total equity attributable to equity shareholders of the Company		**18,936,357**	18,488,234
Non-controlling interests		**264,886**	265,648
Total equity		**19,201,243**	18,753,882

The notes on pages 47 to 72 form part of these condensed consolidated financial statements.

(VII) Interim Financial Statements (Unaudited)
Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022 – Unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Statutory reserves	Other reserves	Exchange reserves	Accumulated profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2021	**295,671**	**8,235,037**	**1,915,741**	**265,372**	**(372,136)**	**5,363,113**	**15,702,798**	**179,219**	**15,882,017**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**1,203,545**	**1,203,545**	**47,944**	**1,251,489**
Other comprehensive income	**–**	**–**	**–**	**–**	**3,051**	**–**	**3,051**	**–**	**3,051**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**3,051**	**1,203,545**	**1,206,596**	**47,944**	**1,254,540**
Transfer between reserves	**–**	**–**	**(32,158)**	**–**	**–**	**32,158**	**–**	**–**	**–**
Appropriation to maintenance and production funds	**–**	**–**	**46,283**	**–**	**–**	**(46,283)**	**–**	**–**	**–**
Utilisation of maintenance and production funds	**–**	**–**	**(25,973)**	**–**	**–**	**25,973**	**–**	**–**	**–**
Distribution to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(22,649)**	**(22,649)**
Balance at 30 June 2021	**295,671**	**8,235,037**	**1,903,893**	**265,372**	**(369,085)**	**6,578,506**	**16,909,394**	**204.514**	**17,113,908**
Balance at 1 January 2022	295,671	8,235,037	2,063,067	240,302	(360,637)	8,014,794	18,488,234	265,648	18,753,882
Profit for the period	–	–	–	–	–	477,009	477,009	(8,293)	468,716
Other comprehensive expense	–	–	–	–	(6,658)	–	(6,658)	–	(6,658)
Total comprehensive (expense)/ income for the period	–	–	–	–	(6,658)	477,009	470,351	(8,293)	462,058
Transfer between reserves	–	–	3,777	–	–	(3,777)	–	–	–
Appropriation to maintenance and production funds	–	–	122,856	–	–	(122,856)	–	–	–
Utilisation of maintenance and production funds	–	–	(89,070)	–	–	89,070	–	–	–
Distribution to non-controlling interests	–	–	–	–	–	–	–	(11,697)	(11,697)
Acquisition of non-controlling interests	–	–	–	(22,228)	–	–	(22,228)	19,228	(3,000)
Balance at 30 June 2022	295,671	8,235,037	2,100,630	218,074	(367,295)	8,454,240	18,936,357	264,886	19,201,243

The notes on pages 47 to 72 form part of these condensed consolidated financial statements.

(VII) Interim Financial Statements (Unaudited)
Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022 – Unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2022	2021
		RMB'000	*RMB'000*
Operating activities			
Cash generated from operations		**1,742,554**	2,745,918
Interest paid		**(56,499)**	(340,550)
Income tax paid		**(423,660)**	(384,403)
Net cash generated from operating activities		**1,262,395**	2,020,965
Investing activities			
Payment of purchase of long-term assets		**(1,152,185)**	(822,059)
Payment for deposit for purchase of fixed assets		**(240,037)**	(255,509)
Dividend received from associates		**–**	41,512
Others		**41,325**	21,638
Net cash used in investing activities		**(1,350,897)**	(1,014,418)
Financing activities			
Proceeds from new loans and borrowings		**2,292,000**	912,000
Repayment of loans and borrowings		**(1,799,909)**	(1,376,908)
Repayment of long-term bonds		**–**	(436,000)
Repayments of lease liabilities		**(7,258)**	(12,031)
Others		**(14,697)**	(22,649)
Net cash generated from/(used in) financing activities		**470,136**	(935,588)
Net increase in cash and cash equivalents		**381,634**	70,959
Cash and cash equivalents at 1 January		**1,423,171**	1,401,233
Effect of foreign exchange rates changes		**(10,681)**	967
Cash and cash equivalents at 30 June, representing bank balances and cash		**1,794,124**	1,473,159

The notes on pages 47 to 72 form part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

1 BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("**IAS 34**") "Interim Financial Reporting", issued by the International Accounting Standards Board ("**IASB**") as well as with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

2 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

Application of amendments to IFRSs

In the Reporting Period, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment–Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts–Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

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

Significant changes in significant judgements and key sources of estimation uncertainty

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Sales of cement	**8,328,072**	8,460,283
Sales of clinker	**887,182**	1,054,833
Sales of concrete	**658,380**	591,526
Sales of other products	**258,064**	285,379
	10,131,698	10,392,021

The Group's revenues for the six months ended 30 June 2022 and 2021 were generated in the People's Republic of China (the "**PRC**"). Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

(b) Segment reporting

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

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

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

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

(i) Segment results, assets and liabilities

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

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

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

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

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2022 and 2021 is set out below:

	2022					2021				
	Shandong Province *RMB'000*	Northeastern China *RMB'000*	Shanxi Province *RMB'000*	Xinjiang Region *RMB'000*	Total *RMB'000*	Shandong Province *RMB'000*	Northeastern China *RMB'000*	Shanxi Province *RMB'000*	Xinjiang Region *RMB'000*	Total *RMB'000*
For the six months ended 30 June										
Disaggregated by timing of revenue										
Point in time	6,751,686	1,938,197	1,165,968	270,663	10,126,514	6,720,807	2,143,005	1,298,286	224,857	10,386,955
Over time	2,676	166	2,342	–	5,184	2,856	99	2,111	–	5,066
Revenue from external customers	6,754,362	1,938,363	1,168,310	270,663	10,131,698	6,723,663	2,143,104	1,300,397	224,857	10,392,021
Inter-segment revenue	563,709	84,300	12,322	–	660,331	549,663	12,265	14,204	–	576,132
Reportable segment revenue	7,318,071	2,022,663	1,180,632	270,663	10,792,029	7,273,326	2,155,369	1,314,601	224,857	10,968,153
Reportable segment profit/ (loss) (adjusted profit before taxation)	1,012,499	(72,624)	145,595	79,191	1,164,661	1,452,018	116,622	269,792	66,610	1,905,042
As at 30 June/31 December										
Reportable segment assets	16,003,357	8,477,757	5,356,730	948,795	30,786,639	14,564,111	8,156,963	5,122,441	941,528	28,785,043
Reportable segment liabilities	4,527,077	2,602,822	843,689	183,651	8,157,239	5,790,671	1,380,918	154,335	57,971	7,383,895

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**1,164,661**	1,905,042
Elimination of inter-segment profit	**(335,775)**	(197,071)
Reportable segment profit derived from the Group's external customers	**828,886**	1,707,971
Share of results of associates	**4,616**	22,076
Waiver of interest expenses	**–**	54,800
(Loss)/gain on fair value changes of financial assets at FVTPL	**(1,265)**	539
Loss on fair value changes of derivative component of convertible bonds	**–**	(3,493)
Unallocated finance costs	**(56,291)**	(103,778)
Unallocated head office and corporate expenses	**(33,774)**	(95,147)
Consolidated profit before taxation	**742,172**	1,582,968

4 SEASONALITY OF OPERATIONS

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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2022

5 OTHER INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Interest income	**9,146**	7,957
Government grants *(note)*	**74,783**	124,480
Amortisation of deferred income	**5,195**	7,125
Waiver of interest expenses	**–**	54,800
Others	**19,256**	49,102
	108,380	243,464

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

6. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Net foreign exchange (loss)/gain	**(8,612)**	1,916
Net loss from disposal of property, plant and equipment	**(21,020)**	(7,937)
Impairment loss on property, plant and equipment	**(8,742)**	–
Donations	**(17,307)**	(11,779)
(Loss)/gain on fair value changes of other financial assets at FVTPL	**(1,265)**	539
Loss on fair value changes of derivative component of convertible bonds	**–**	(3,493)
Others	**5,098**	(447)
	(51,848)	(21,201)

7 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Interest on bank loans	**56,444**	62,501
Interest on other borrowings and long-term bonds	**–**	17,246
Interest on lease liabilities	**1,445**	1,776
Effective interest expense on convertible bonds	**–**	31,925
Less: capitalised interest expenses(*)	**(100)**	(543)
Net interest expenses	**57,789**	112,905
Unwinding of discount	**6,213**	5,633
Bank charges	**21,210**	8,979
	85,212	127,517

* The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation related to construction of plant is 4.35% for the six months ended 30 June 2022 (six months ended 30 June 2021: 4.50%).

(b) Other items

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Depreciation		
– property, plant and equipment	**585,375**	616,583
– right-of-use assets	**41,298**	38,968
Amortisation		
– intangible assets	**87,947**	83,543

8 INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Current tax expenses		
Provision for the PRC income tax	**280,614**	399,393
(Over)/under provision in prior years	**(2,163)**	3,953
	278,451	403,346
Deferred taxation	**(4,995)**	(71,867)
	273,456	331,479

Notes:

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

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

(iii) The Company and its subsidiaries incorporated in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (six months ended 30 June 2021: 16.5%). No provision for Hong Kong Profits Tax has been made as the Company and the subsidiaries incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax during the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

9 DIVIDEND

During the Reporting Period, 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 and approved by the Company's shareholders at the annual general meeting held on 27 May 2022. The proposed final dividend for the year ended 31 December 2021 is subject to all necessary order and approval from the Grand Court of the Cayman Islands given the outstanding Cayman Petition against the Company (as defined in note 24(b) to these condensed consolidated financial statements).

10 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Earnings figures:		
Profit for the period attributable to owners of the Company and earnings for the purposes of basic and diluted earnings per share	**477,009**	1,203,545
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

The computation of diluted earnings per share does not assume the exercise of the share options granted by the Company in 2011 and 2015 because exercise prices of these share options were higher than the average market price of the shares for both periods.

For the six months ended 30 June 2021, the computation of diluted earnings per share had not taken into account the potential ordinary shares on convertible bonds as the assumed conversion would be anti-dilutive and result in an increase in earnings per share.

11 PROPERTY, PLANT AND EQUIPMENTS, RIGHT–OF–USE ASSETS AND INTANGIBLE ASSETS

(a) During the six months ended 30 June 2022, the additions of property, plant and equipment, right-of-use assets and intangible assets of the Group amounted to RMB964,030,000 (six months ended 30 June 2021: RMB868,273,000), RMB103,023,000 (six months ended 30 June 2021: RMB5,612,000) and RMB242,182,000 (six months ended 30 June 2021: RMB187,458,000), respectively. Items of property, plant and equipment with net book value totalling RMB53,199,000 were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB10,651,000), resulting in a loss from disposal of RMB21,020,000 (six months ended 30 June 2021: RMB7,937,000).

(b) During the six months ended 30 June 2022, the Group entered into several new lease agreements with lease terms of 5 years to 15 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use assets of RMB9,553,000 (six months ended 30 June 2021: RMB4,494,000) and lease liabilities of RMB9,553,000 (six months ended 30 June 2021: RMB4,494,000).

12 INVENTORIES

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
Raw materials	**1,381,040**	1,140,170
Semi-finished goods	**1,095,272**	594,349
Finished goods	**543,120**	480,479
Spare parts	**539,774**	546,946
	3,559,206	2,761,944

13 TRADE AND BILLS RECEIVABLES

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
Bills receivables	**699,801**	989,586
Trade receivables	**1,635,820**	1,592,930
Less: allowance for credit losses	**(297,245)**	(293,206)
	2,038,376	2,289,310

As of the end of the Reporting Period, the ageing analysis of trade and bills receivables, based on the invoice date and net of allowance for credit losses, is as follows:

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
Within 3 months	**945,436**	1,136,843
3 to 6 months	**246,607**	422,846
6 to 12 months	**341,751**	270,244
Over 12 months	**504,582**	459,377
	2,038,376	2,289,310

All of the trade and bills receivables (net of allowance for credit losses) are expected to be recovered within one year.

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

14 PREPAYMENTS AND OTHER RECEIVABLES

	Note	**At 30 June 2022**	At 31 December 2021
		RMB'000	*RMB'000*
Deposit		**44,734**	43,958
Prepayments for raw materials		**417,307**	231,651
Prepayments for utilities		**85,421**	85,168
VAT recoverable		**453,278**	289,304
Amount due from related parties		**143,582**	126,703
Amount due from third parties		**362,895**	423,590
Others		**113,361**	82,776
		1,620,578	1,283,150

15 RESTRICTED BANK DEPOSITS

Restricted bank deposits as at 30 June 2022 include RMB218,555,000 (31 December 2021: RMB22,335,000) of cash deposits pledged to banks to secure banking facilities granted to the Group and for the performance guarantee in relation to certain contracts of sales or purchases of cement, and RMB7,574,000 (31 December 2021: RMB6,573,000) of bank balances which have been frozen by the PRC Court pending the outcome of the legal proceedings initiated by the Group's creditors relating to certain sales or purchase contracts. Further details of this litigation are set out in note 24.

16 BANK LOANS

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

	At 30 June 2022 ***RMB'000***	At 31 December 2021 *RMB'000*
Bank loans – Secured (*)	**503,750**	103,750
Bank loans – Unsecured	**2,517,000**	2,424,000
	3,020,750	2,527,750

* These bank loans were secured by certain plants and buildings with an aggregate carrying amount of RMB8,178,000 (31 December 2021: RMB8,356,000) and pledged bank deposits of RMB200,000,000 (31 December 2021: nil).

As at 30 June 2022, there is no default in bank loans repayment.

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

	At 30 June 2022 ***RMB'000***	At 31 December 2021 *RMB'000*
Within one year	**2,145,750**	2,392,750
After one year but within two years	**875,000**	135,000
	3,020,750	2,527,750

17 OTHER BORROWINGS

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

	Note	**At 30 June 2022** *RMB'000*	At 31 December 2021 *RMB'000*
Loan from government – Unsecured	(i)	–	909

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

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Within one year	–	909

Note:

(i) The government loan was received by Liaoning Shanshui Gongyuan Cement Co., Ltd. for constructing an environmental friendly production line. The loan is unsecured, bears interest at one-year PRC deposit interest rate plus 0.30% (31 December 2021: one-year PRC deposit interest rate plus 0.30%) and is repayable in equal instalments from years 2012 to 2022. The loan was fully repaid during the Reporting Period.

18 TRADE PAYABLES

As at the end of the Reporting Period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Within 3 months	**3,206,333**	2,241,310
3 to 6 months	**326,237**	433,319
6 to 12 months	**575,923**	367,260
Over 12 months	**627,880**	695,746
	4,736,373	3,737,635

As at 30 June 2022 and 31 December 2021, all trade payables of the Group are repayable on demand. All trade payables are expected to be settled within one year.

As at 30 June 2022, certain suppliers and third parties have initiated lawsuits against the Group to demand immediate settlement of trade payables with a carrying amount of RMB1,562,000 (31 December 2021: RMB10,293,000) plus interest for late payment, if any.

The management are continuing to negotiate with the suppliers to settle these amounts out of court. No adjustments have been made to these condensed consolidated financial statements to accrue for any potential interest or other penalties that may arise through the Courts if the negotiations are not successful, as the directors of the Company consider that the eventual outcome of these litigations cannot presently be determined, given their preliminary status.

19 OTHER PAYABLES AND ACCRUED EXPENSES

	Notes	**At 30 June 2022** *RMB'000*	At 31 December 2021 *RMB'000*
Accrued payroll and welfare		**170,437**	410,633
Taxes payable other than income tax		**260,335**	108,469
Staff compensation and termination provisions		**141,234**	143,896
Amounts due to related parties		**883,853**	835,697
Payables to former shareholders of acquired subsidiaries		**67,689**	77,358
Acquisition consideration payables	(i)	**59,820**	59,820
Accrued expenses and other payables	(ii)	**669,771**	647,622
		2,253,139	2,283,495

Notes:

(i) Included in the balance are amounts payable for the acquisition of Liaocheng Meijing Zhongyuan Cement Co., Ltd. ("**Liaocheng Meijing Zhongyuan Cement**") amounting to RMB30,678,000 (31 December 2021: RMB30,678,000). The previous shareholders of Liaocheng Meijing Zhongyuan Cement have sued the Group to settle the unpaid acquisition consideration payable plus interest for late payment. Up to the date of approval of these condensed consolidated financial statements, the litigations related to Liaocheng Meijing Zhongyuan Cement is still in process.

(ii) The amount mainly represents payable for acquisition of property, plant and equipment of RMB46,208,000 (31 December 2021: RMB53,356,000), payable for mine management of RMB123,946,000 (31 December 2021: RMB123,946,000), contract guarantee deposits from suppliers of RMB131,091,000 (31 December 2021: RMB123,286,000) and interest payables of RMB1,029,000 (31 December 2021: RMB1,184,000).

As at 30 June 2022, certain suppliers and third parties have lawsuits against the Group to demand immediate settlement of other payables with carrying amount of RMB1,125,000 (31 December 2021: RMB43,620,000) plus interest for late payment, if any.

20 DEFINED BENEFIT OBLIGATIONS

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

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

21 SHARE CAPITAL

	30 June 2022 and 31 December 2021	
	Number of shares	**RMB equivalent** *RMB'000*
Ordinary shares of the Company of USD0.01 each		
Authorised:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	10,000,000,000	701,472
Issued and fully paid:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	4,353,966,228	295,671

For the six months ended 30 June 2022

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

(i) Fair value measurement and valuation process

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

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

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

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

Financial assets	Fair value as at 30/06/2022 *RMB'000*	Fair value as at 31/12/2021 *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	6,390	5,915	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	13,265	15,005	Level 3	Guideline public company method	Discount for lack of marketability 15% (31 December 2021: 15%)	The higher discount for lack of marketability, the lower the fair value.

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Reconciliation of level 3 fair value measurements

	Unlisted equity securities *RMB'000*	Derivative component of convertible bonds *RMB'000*
At 1 January 2021 (audited)	**17,164**	**243,747**
Fair value loss (included in profit or loss)	**–**	**(3,493)**
Exchange realignment	**–**	**(2,381)**
At 30 June 2021 (unaudited)	**17,164**	**237,873**
At 1 January 2022 (audited)	15,005	–
Fair value loss (included in profit or loss)	(1,740)	–
At 30 June 2022 (unaudited)	13,265	–

(iv) Fair values of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their corresponding fair values.

23 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2022 not provided for in the condensed consolidated financial statements were as follows:

	At 30 June 2022 ***RMB'000***	At 31 December 2021 *RMB'000*
Capital expenditure in respect of the acquisitions of fixed assets and intangible assets authorised and contracted for but not provided for in the condensed consolidated financial statements	**1,689,402**	1,061,592

24 CONTINGENT LIABILITIES AND OTHER EVENTS

(a) Litigation contingencies

As at 30 June 2022, several litigation claims were initiated by the customers against the Group to demand immediate repayment of the outstanding balance in relation to certain sales contracts of cement and other products, with an aggregate amount of RMB42,355,000 (31 December 2021: RMB23,484,000), which had not been concluded. No provision for these litigation claims was made in these condensed consolidated financial statements as in the opinion of the directors of the Company, the possibility of an outflow of economic resources is remote.

(b) Litigation in the Cayman Islands

The Company is facing a winding-up petition (the "**Cayman Petition**") before the Grand Court of the Cayman Islands (the "**Grand Court**"). The Cayman Petition was filed by one of the shareholders of the Company, Tianrui (International) Holding Company Limited ("**Tianrui**"). The Company has appointed legal counsel in relation to the Cayman Petition.

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 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.

24 CONTINGENT LIABILITIES AND OTHER EVENTS (CONTINUED)

(b) (Continued)

The Company was served on 4 June 2019 with a Writ of Summons issued on 27 May 2019 in the Grand Court (the "**Writ**"). The Writ was also issued by Tianrui, seeking (i) orders setting aside the Company's issue of certain convertible bonds, issued on or about 8 August 2018 and 3 September 2018, the subsequent conversion of the bonds on 30 October 2018 and/or the allotment of the Company's shares to the holders of such convertible bonds; and/or (ii) declarations setting aside the issue and subsequent conversion of the bonds. 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. 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. On 1 July 2022, the Court of Appeal delivered its judgment and allowed the Company's appeal. Consequently, the Writ will be struck out once the Certificate of the Order of the Court of Appeal is issued. However, the Court of Appeal did leave it open to Tianrui to reconstitute the Writ as a derivative claim.

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.

24 CONTINGENT LIABILITIES AND OTHER EVENTS (CONTINUED)

(b) (Continued)

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

A hearing took place on 23 May 2022 following which the Grand Court settled the list of issue between the parties to the Petition for the purposes of discovery. The parties to the Petition are negotiating the discovery protocol, including the discovery timetable, and a case management hearing has been listed for 22 November 2022 to settle any outstanding issues.

Other than the disclosure above, some of which postdates the Reporting Period, as at 30 June 2022, as far as the Group was aware, the Group had no other material litigation or claim which was pending or threatened against the Group. As at 30 June 2022, the Group was the defendant of certain non-material litigations, a party to certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business. The likely outcome of these litigations or other legal proceedings cannot be ascertained at present, but the Directors believe that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

25. RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Sales		
Associates of the Group	**79**	4,048
Fellow subsidiary of a major shareholder of the Company	**899**	298
Subsidiaries of a major shareholder of the Company	**9,908**	33,976
	10,886	38,322
Purchase		
Fellow subsidiary of a major shareholder of the Company	**12,809**	20,785
Subsidiaries of a major shareholder of the Company	**77,026**	63,733
Associate of a major shareholder of the Company	**2,300**	1,997
	92,135	86,515
Mining service fee		
Subsidiaries of a major shareholder of the Company	**250,060**	212,933
Engineering service fee		
Fellow subsidiary of a major shareholder of the Company	**843**	930
Subsidiaries of a major shareholder of the Company	**265,314**	138,874
	266,157	139,804
Other service and management fee		
Associates of the Group	**22,237**	40,388
Fellow subsidiary of a major shareholder of the Company	**–**	411
	22,237	40,799

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.

25. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties

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

	As at 30 June 2022 ***RMB'000***	As at 31 December 2021 *RMB'000*
Trade receivables from (Note (i)):		
Associate of the Group	**76**	–
Subsidiaries of a major shareholder of the Company	**540**	–
	616	–
Prepayments to (Note (i)):		
Fellow subsidiary of a major shareholder of the Company	**11,532**	4,518
Subsidiaries of a major shareholder of the Company	**124,380**	115,482
Associate of a major shareholder of the Company	**3**	3
	135,915	120,003
Other receivables from (Note (i)):		
Shareholder of the Company	**748**	715
Associates of the Group	**4,403**	4,162
Fellow subsidiary of a major shareholder of the Company	**6**	–
Subsidiaries of a major shareholder of the Company	**2,510**	1,823
	7,667	6,700

25. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties (Continued)

	As at 30 June 2022 *RMB'000*	As at 31 December 2021 *RMB'000*
Trade payable to (Note (i)):		
Associates of the Group	**40,265**	37,054
Fellow subsidiary of a major shareholder of the Company	**2,735**	2,349
Subsidiaries of a major shareholder of the Company	**279,931**	139,483
Associate of a major shareholder of the Company	**1**	–
	322,932	178,886
Contract liabilities from (Note (i)):		
Associates of the Group	**287**	26
Fellow subsidiary of a major shareholder of the Company	**10,113**	12
Subsidiaries of a major shareholder of the Company	**283**	282
Associate of a major shareholder of the Company	**17**	–
	10,700	320
Other payables to:		
Shareholder of the Company *(Note (ii))*	**865,268**	826,921
Associates of the Group	**14,686**	5,757
Subsidiaries of a major shareholder of the Company	**3,899**	3,019
	883,853	835,697

Note(s):

(i) The amounts are unsecured, interest free and repayable on demand.

(ii) The amount represented loans from Tianrui Group. As at 30 June 2022, the outstanding loans with total principal of RMB865,268,000 (31 December 2021: RMB826,921,000) are unsecured, interest free and repayable on demand.

25. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel remuneration

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

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Salary, allowances and other benefits	**4,951**	5,272
Contribution to defined contribution retirement plans	**305**	351
	5,256	5,623

(VIII) Miscellaneous

I. INTERIM DIVIDEND

The Board did not declare the payment of any interim dividend for the six months ended 30 June 2022.

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

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

III. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining good corporate governance standards.

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

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

Chairman and Chief Executive Officer

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

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

IV. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

V. REVIEW OF INTERIM RESULTS AND REPORT BY AUDIT COMMITTEE

The audit committee comprises the three independent non-executive Directors of the Company who reviewed the unaudited interim results and report of the Group for the six months ended 30 June 2022 and discussed with the Company's management regarding risk management, internal control and other important matters.

VI. CHANGES IN INFORMATION OF DIRECTORS

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

1. With effect from 22 March 2022, Mr. Li Huibao, an executive Director of the Company, ceased to be the president of Shandong Shanshui Cement Group Company Limited.

2. Pursuant to the service contract entered into between the Company and Mr. Li Huibao, an executive Director of the Company, the director's remuneration of Mr. Li Huibao as an executive Director comprises a basic salary of RMB3.6 million per annum and a bonus calculated based on the achievement of performance indicators and appraisal results. The bonus is calculated based on the basic salary of Mr. Li Huibao.

3. With effect from May 2022, Mr. Hou Jianguo, an executive Director of the Company, ceased to be a director and the chief accountant of Jinan Industrial Development Investment Group Co., Ltd.. Mr. Hou also ceased to be a director of China Shanshui Investment Company Limited with effect from July 2022.

VII. AMENDMENTS TO MEMORANDUM AND ARTICLES OF ASSOCIATION

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