



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 ANNUAL REPORT



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(I) Definitions

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

“Company” or “China Shanshui” or “Shanshui Cement”	China Shanshui Cement Group Limited
“Group” or “China Shanshui Group”	the Company and its subsidiaries
“Financial Statements”	the consolidated financial statements of the Group
“Reporting Period”	the period from 1 January 2022 to 31 December 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

(I) Definitions (Continued)

“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

(II) Corporate Information (Continued)

2. BASIC CORPORATE INFORMATION

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

(III) Financial and Business Data Summary

1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Unit: RMB'000)

	For the 12 months ended 31 December				
	2022	2021	2020	2019	2018
Revenue	21,488,959	24,659,544	20,891,454	21,478,831	17,872,818
Gross profit	4,229,850	7,259,549	6,964,665	7,271,722	5,923,471
Gross profit margin	19.7%	29.4%	33.3%	33.9%	33.1%
Profit from operations	1,464,033	4,198,280	4,659,112	4,692,516	3,779,350
Profit margin from operations	6.8%	17.0%	22.3%	21.8%	21.1%
Profit for the year	757,131	2,894,847	3,274,390	3,028,382	2,168,847
Attributable to:					
Equity shareholders of the Company	748,702	2,777,298	3,186,993	2,973,104	2,196,657
Minority interests	8,429	117,549	87,397	55,278	(27,810)
Basic earnings per share (RMB)	0.17	0.64	0.73	0.68	0.62
Diluted earnings per share (RMB)	0.17	0.64	0.72	0.68	0.58

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unit: RMB'000)

	As at 31 December				
	2022	2021	2020	2019	2018
Non-current assets	22,680,058	21,177,204	20,499,061	20,610,663	20,214,657
Current assets	8,777,216	7,786,483	7,178,382	6,217,142	5,858,056
Total assets	31,457,274	28,963,687	27,677,443	26,827,805	26,072,713
Equity attributable to equity shareholders of the Company	19,163,613	18,488,234	15,702,798	12,497,200	9,522,248
Non-controlling interests	271,264	265,648	179,219	103,239	64,088
Non-current liabilities	1,584,316	866,663	1,955,931	3,045,630	3,258,193
Current liabilities	10,438,081	9,343,142	9,839,495	11,181,736	13,228,184
Total liabilities	12,022,397	10,209,805	11,795,426	14,227,366	16,486,377
Total equity and liabilities	31,457,274	28,963,687	27,677,443	26,827,805	26,072,713
Net gearing ratio	7.1%	5.6%	13.9%	27.6%	42.6%

(III) Financial and Business Data Summary (Continued)

3. CONSOLIDATED STATEMENT OF CASH FLOWS

(Unit: RMB'000)

	For the 12 months ended 31 December				
	2022	2021	2020	2019	2018
Net cash generated from operating activities	2,658,434	3,553,072	3,509,672	4,166,604	2,180,478
Net cash used in investing activities	(2,947,329)	(2,097,184)	(1,325,379)	(1,520,899)	(849,094)
Net cash generated from/(used in) financing activities	1,047,726	(1,439,860)	(2,135,273)	(2,600,085)	(348,529)
Net increase in cash and cash equivalents	758,831	16,028	49,020	45,620	982,855

4. KEY BUSINESS DATA

	2022	2021	2020	2019	2018
Sales volume of cement ('000 tonnes)	47,570	55,832	51,250	47,546	39,186
Sales volume of clinker ('000 tonnes)	7,635	8,362	8,699	8,205	9,953
Sales volume of concrete ('000 m ³)	3,328	3,553	2,812	3,204	2,882
Unit selling price of cement (RMB/tonne)	360.8	360.7	328.7	361.4	334.6
Unit selling price of clinker (RMB/tonne)	306.2	284.7	262.4	276.3	268.3
Unit selling price of concrete (RMB/tonne)	421.7	424.8	452.0	495.3	455.1

(IV) Corporate Profile

(1) COMPANY BACKGROUND

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

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

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

Shandong Shanshui is a large enterprise group with the production of cement and clinker as the main industry, integrating the production and sales of commercial concrete, aggregate, plastic weaving, machinery manufacturing and maintenance, and new-type wall materials. Its headquarter is located in Jinan City, Shandong Province.

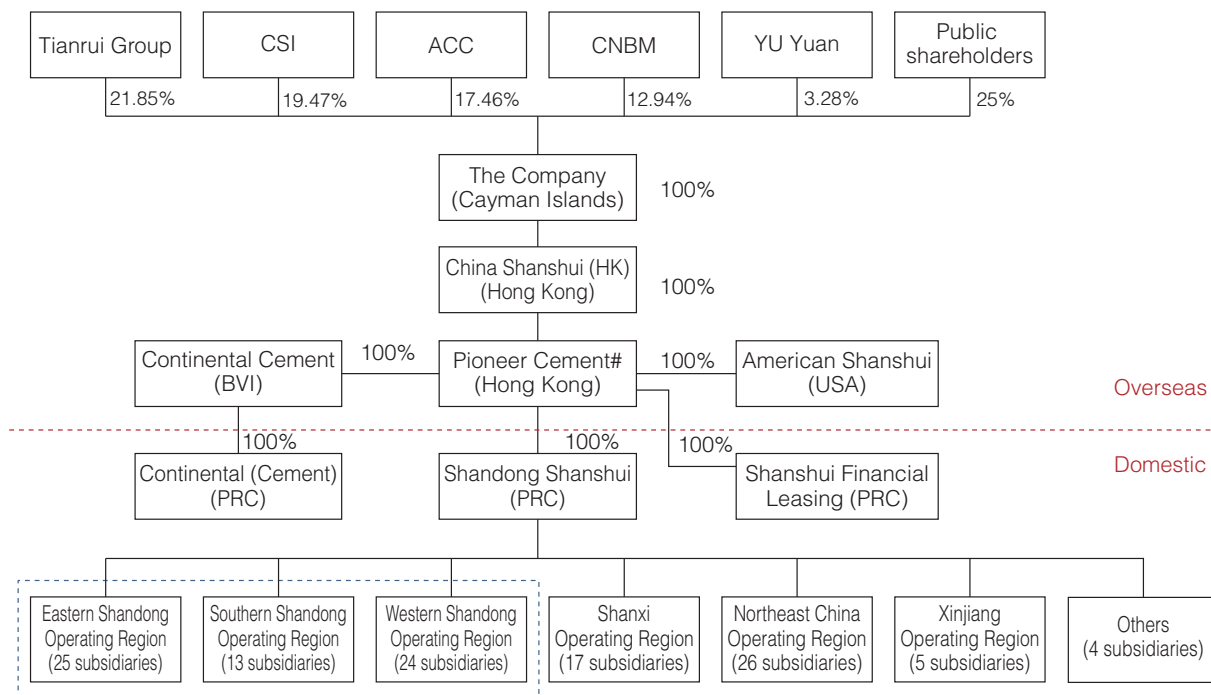
Shandong Shanshui Group has six operating regions including Eastern Shandong Operating Region, Western Shandong Operating Region, Southern Shandong Operating Region, Northeast China Operating Region, Shanxi Operating Region, and Xinjiang Operating Region, and currently has 114 subsidiaries in 10 provinces (municipalities, autonomous regions) including Shandong, Liaoning, Shanxi, Inner Mongolia and Xinjiang, forming a market pattern of “North-South Interaction (南北互動)” between Shandong and Northeast, and “East-West Correspondence (東西呼應)” between Shandong and Shanxi, which has brought better market advantages. While expanding and strengthening the main cement industry, Shandong Shanshui Group are actively implementing the “cement +” business development model and changing from expanding the scale of a single product to diversifying products. At present, the prototype of the whole industry chain, such as aggregates, manufactured sand, commercial concrete, cement products, prefabricated construction components and cement equipment, has taken shape.

High-grade cement and commercial clinker are the Group’s leading products. The cement brands of “Shanshui Dongyue”, “Shanshui Gongyuan” and “Bohai” enjoy high reputation in China and are widely used in national key projects such as Beijing-Shanghai High-Speed Railway, Jiaozhou Bay Bridge, Qingdao Subsea Tunnel, and Haiyang Nuclear Power.

Over the years, the Group has been awarded the honorary titles of Advanced Group of National Building Material System, National May 1st Labor Certificate, National Advanced Grassroots Party Organization, National Model Worker’s Home, Shandong Civilized Unit, Shandong High-end Brand Cultivation Enterprise and so on, and has been ranked among the Top 20 Chinese Building Materials Enterprises and the Fortune Global 500 for many years.

(IV) Corporate Profile (Continued)

(2) SHAREHOLDING STRUCTURE OF THE GROUP



- # Pioneer Cement directly owns the shareholdings of the following subsidiaries, including Anqiu Shanshui (25.49%), Weihai Shanshui (75.00%), Qingdao Chuangxin (75.00%), Linqu Shanshui (45.00%) and Linqu Aggregate (99.00%) in Eastern Shandong Operating Region; Zaozhuang Chuangxin (70.00%) in Southern Shandong Operating Region; Pingyin Shanshui (25.00%) in Western Shandong Operating Region; and Dandong Shanshui (25.00%) and Shenyang Shanshui (18.10%) in Northeast China Operating Region.

(IV) Corporate Profile (Continued)

(3) DISTRIBUTION OF PRODUCTION FACILITIES AND CAPACITY

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

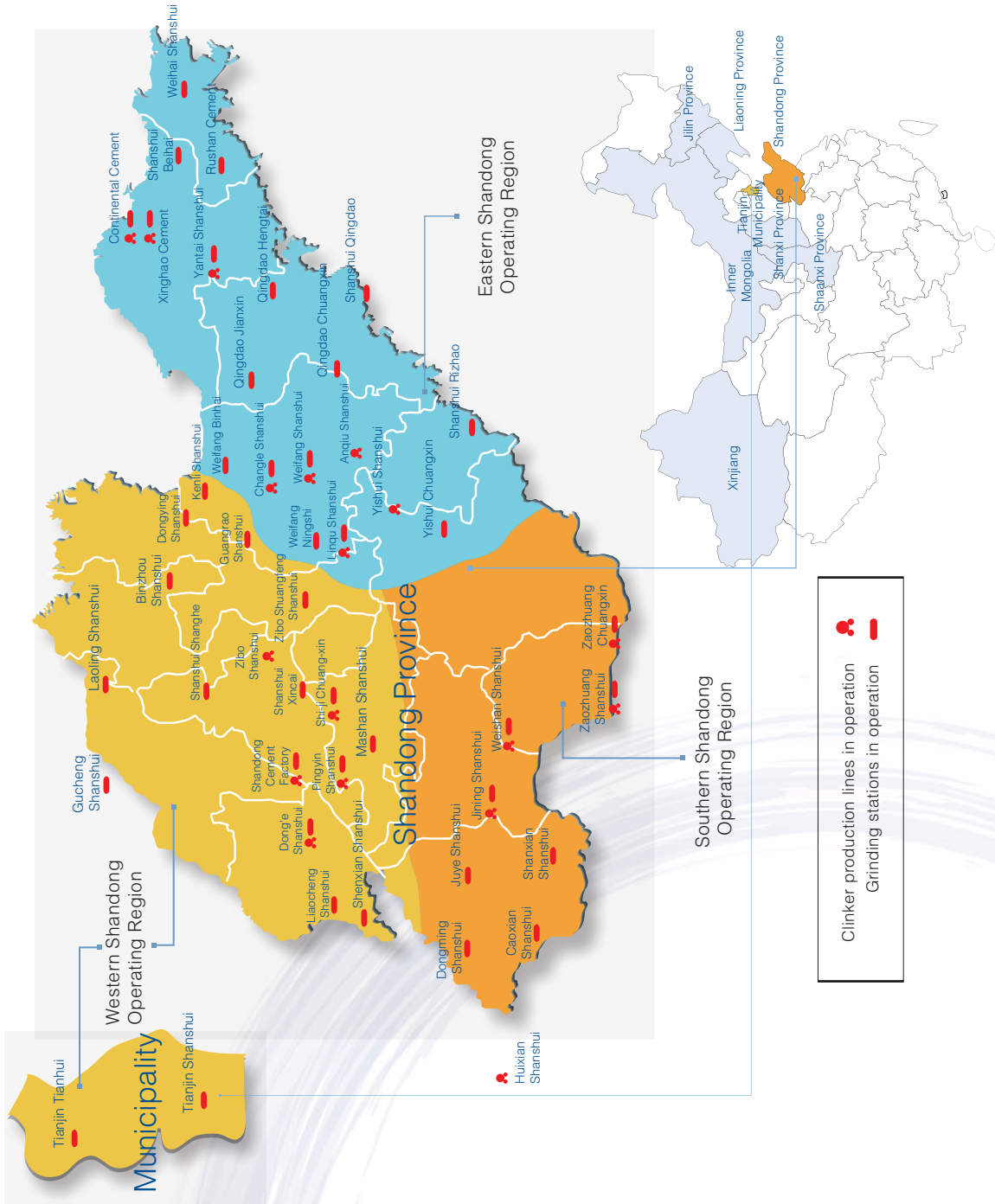
As of 31 December 2022, the total capacity of cement and clinker of the Group is listed below:

	2022		2021		Change	
	Cement Capacity ('000 tonnes)	Clinker Capacity ('000 tonnes)	Cement Capacity ('000 tonnes)	Clinker Capacity ('000 tonnes)	Cement Capacity ('000 tonnes)	Clinker Capacity ('000 tonnes)
Shandong Region	48,630	25,676	51,470	25,928	-2,840	-252
Eastern Shandong Operating Region	23,270	11,756	23,910	11,752	-640	4
Western Shandong Operating Region	17,833	7,680	20,033	7,936	-2,200	-256
Southern Shandong Operating Region	7,527	6,240	7,527	6,240	0	0
Shanxi Operating Region	12,070	8,640	12,070	8,640	0	0
Northeast China Operating Region	27,250	14,304	27,250	14,304	0	0
Xinjiang Operating Region	4,000	1,600	4,000	1,600	0	0
Total	91,950	50,220	94,790	50,472	-2,840	-252

On 31 December 2022, the decrease in production capacity of some cement clinker in Shandong region is mainly due to the fact that cement mills with a diameter of 3.2 meters and below had to shut down by the end of 2022 in accordance with the requirements of Notice on Adjusting and Optimizing the Work Plan for Eliminating Backward Production Capacity in the Cement Industry in the Province" (Lu Gong Xin Yuan [2022] No. 20) (《關於調整優化<全省水泥行業淘汰落後產能工作方案>的通知》(魯工信原[2022] 20號)) jointly issued by the Department of Industry and Information Technology of Shandong Province, the Development and Reform Commission of Shandong Province, the Department of Natural Resources of Shandong Province, the Department of Ecology and Environment of Shandong Province and the Administration for Market Regulation of Shandong Province.

(IV) Corporate Profile (Continued)

Locations of major production facilities in Shandong Region as of 31 December 2022:



(IV) Corporate Profile (Continued)

Eastern Shandong Operating Region

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

(IV) Corporate Profile (Continued)

Western Shandong Operating Region

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

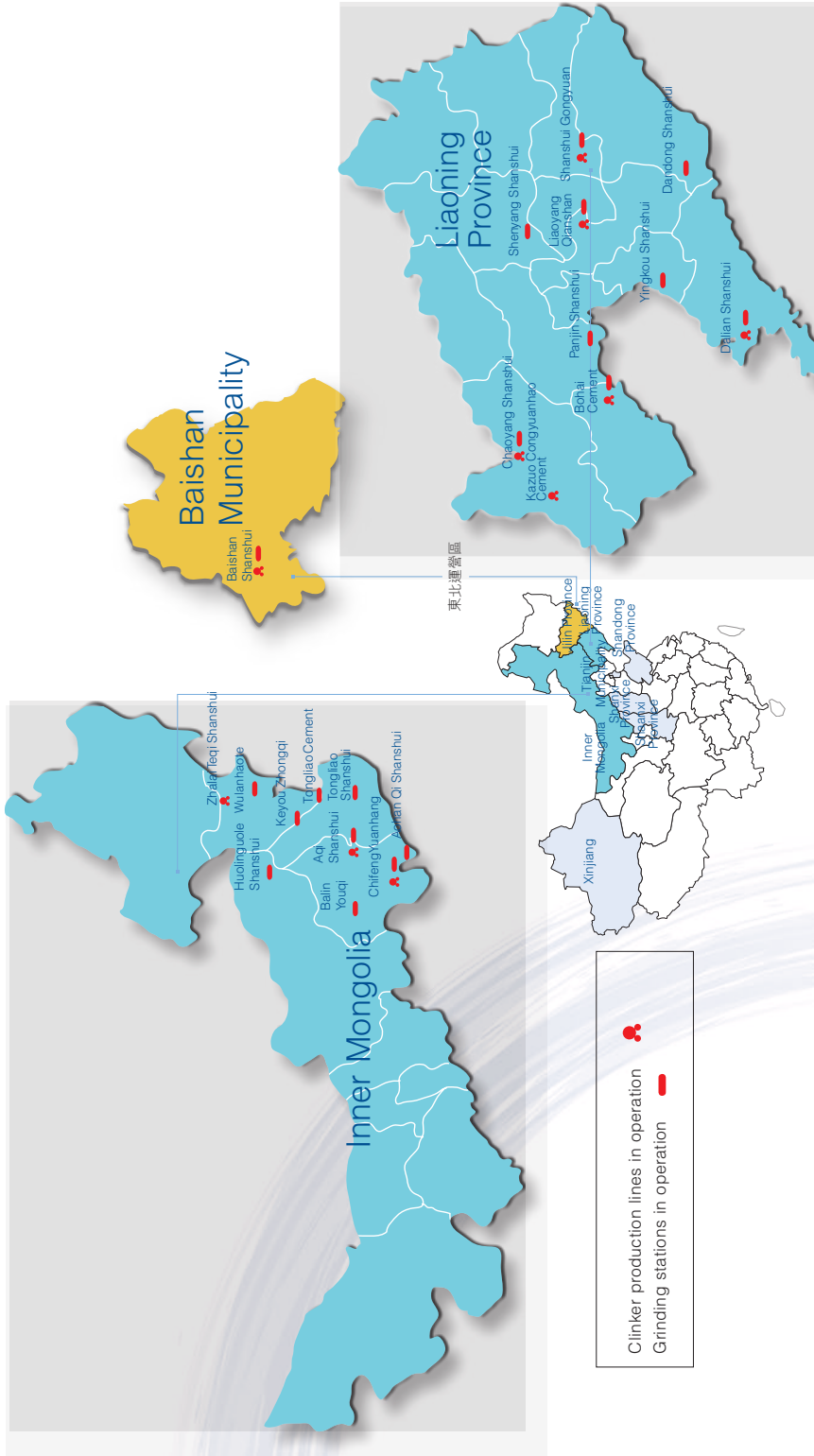
(IV) Corporate Profile (Continued)

Southern Shandong Operating Region

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

(IV) Corporate Profile (Continued)

Locations of major production facilities in Northeast China Operating Region as of 31 December 2022:



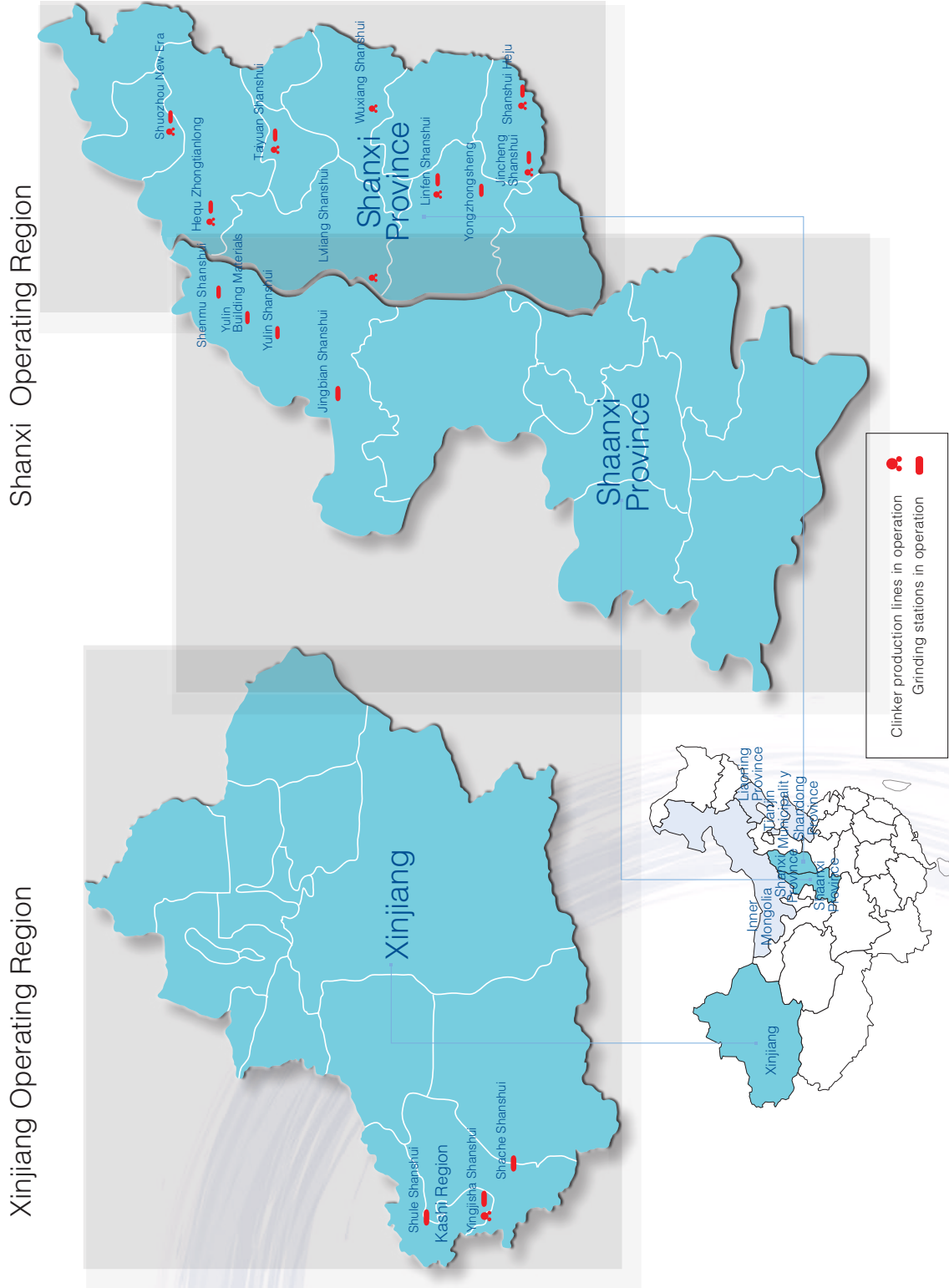
(IV) Corporate Profile (Continued)

Northeast China Operating Region

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

(IV) Corporate Profile (Continued)

Locations of major production facilities in Shanxi and Xinjiang Operating Regions as of 31 December 2022:



(IV) Corporate Profile (Continued)

Shanxi Operating Region

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

(IV) Corporate Profile (Continued)

Xinjiang Operating Region

Company Name	Principal Business
Kashi Shanshui Cement Co., Ltd. (“Kashi Shanshui”)	Production and sales of cement
Kezhou Shanshui Materials Trading Co., Ltd. (“Kezhou Shanshui”)	Sales of coal and product
Shache Shanshui Cement Co., Ltd. (“Shache Shanshui”)	Production and sales of cement and concrete
Shule Shanshui Cement Co., Ltd. (“Shule Shanshui”)	Production and sales of cement and concrete
Yingjisha Shanshui Cement Co., Ltd. (“Yingjisha Shanshui”)	Production and sales of cement, clinker and concrete

Others

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

(V) Management Discussion and Analysis

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW

The production and sales of cement: sluggish demand throughout the year

In 2022, cement demand generally showed the characteristics of “sluggish demand throughout the year, no peaking in peak season, and more stagnant than usual in low season”. Faced with the impact of factors such as the severe situation of the pandemic prevention and control, the continued bottoming out of the real estate market and the increasing downward pressure on the economy, the demand for cement shrank rapidly. According to the data of the National Bureau of Statistics, in 2022, total cement output in the country reached 2,120 million tonnes, representing a decrease of 10.8% compared to the previous year. The cement output hit the lowest since 2012, even made the biggest drop since 1969, and the year-on-year decline reached the double-digit level for the first time.

From the perspective of quarterly 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 overall sluggish market demand led to only 387 million tonnes of cement output in the country in the first quarter, representing a significant year-on-year decline of 12.1%. In the second quarter, which should have been a traditional peak season, 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 of 590 million tonnes in the second quarter, representing a decline of 16.8%. In the second half of the year, the cement market did not thrive as it should during a peak season. However, due to a low base of cement output in the second half of 2021 (affected by the power rationing), the year-on-year decline slowed down significantly. In the third quarter, the market was more stagnant than usual during the low season, with a serious imbalance between supply and demand, resulting in a substantial drop in cement prices in various regions. Especially in July, industry profit fell to the lowest level for the same period in history, inventory remained high, and cement output was 586 million tonnes, representing a year-on-year decline of 7.9%. In the fourth quarter, the cement market did not thrive as it should during a peak season, but the decline narrowed due to the impact of low base in the fourth quarter of 2021. The cement output reached 550 million tonnes, representing a year-on-year decline of 5.8%.

By region, the year-on-year growth rate of cement output in the six major regions of the country has decreased significantly. Among them, the largest decline was in the Northeastern China and Southwest China (close to 20%), while the decline in Central South China, East China and Northwestern China was relatively small (close to or less than 10%).

(V) Management Discussion and Analysis (Continued)

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW (CONTINUED)

Cement prices: falling from a high level with volatility and adjustments

In 2022, the national cement market price fell into a volatility and adjustment market after experiencing a drastic drop. According to the data monitored by the website of Digital Cement, the average price of cement market for the year was RMB466 per tonne (price in place, the same below), representing a year-on-year decline of 4.2%. Although the decline was not significant, the actual cement price level had fell back to the level in 2017, taking into account the significant increases in coal prices and the cost of cement production.

From the perspective of monthly price trend, the domestic cement market price remained at a favourable level of more than RMB500 per tonne in the first four months. Since May, the price started to plummet until falling to the bottom of RMB415 per tonne in July for consolidation; in mid-August, the price showed slight fluctuation with upward trend, but the trend was unstable, and it fluctuated with downward trend again in September; from October to November, the price maintained an upward trend but at a lower rate and within a short time, and then it showed an early downward trend in December.

Core factors for the sluggish price

Firstly, affected by the weakening macroeconomic environment, the downstream demand remained sluggish and the seasonal characteristics were not obvious. The market showed the characteristics of “no peaking in peak season, and more stagnant than usual in low season”;

Secondly, the construction of engineering projects in many places of the country was disrupted as a result of the strict control over the pandemic, which restricted the transactions of some cement markets;

Thirdly, despite the fact that cement enterprises in various places adopted more effective measures of off-peak season production to ease market supply pressure, some enterprises violated the self-discipline rules of the industry in order to compete for market share, and surplus production was exported to impact peripheral markets, triggering a chain reaction of prices in different regions.

By region: the highest price throughout the year was in North China, with an average price of RMB503 per tonne in 2022. The next highest price was in Northeast China, with an average price of RMB489 per tonne in 2022, while the lowest price remained in Southwest China at RMB406 per tonne, representing a year-on-year decline of 3.6%. The price in Central South China experienced the greatest decline, a year-on-year decline of 13.6%, which was followed by East China, a decline of 10%. The prices in North China and Northeast China increased by 9.2% and 2.6% year on year, respectively.

(V) Management Discussion and Analysis (Continued)

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW (CONTINUED)

Core factors for the sluggish price (Continued)

In general, the price of cement market throughout the year was in a fully declining tendency, while the price of coal as raw material rose from the beginning to the end of the year. Under the background of the two-way squeeze of declines in both sales volume and prices as well as high costs, the cement industry has experienced a significant decline in profits. Cement industry profits are expected to be only approximately RMB68 billion in 2022, RMB100 billion less than that in 2021, representing a year-on-year decrease of about 60%. From the perspective of price performance in various regions, there were certain differences in terms of the areas without profit growth and the decline extent, and the major profit decline was mainly seen in Guangxi, Guangdong, the Yangtze River Delta, Southwest China and other regions.

Looking forward to 2023, with the effective prevention and control of the COVID-19 pandemic, a new round of economic revival is expected, the infrastructure investment is expected to grow faster than the previous year, and the real estate market is expected to bottom out and stabilize. Cement demand for the year is expected to be flat overall or slightly decline, with a low probability of another sharp decline in demand. A relatively stable market environment is conducive to the cement industry to alleviate the supply-demand imbalance through supply-side adjustment, and effectively transmit cost pressure, which will help adjust the mindset of enterprises to reduce excessive competitive behavior and strengthen industry self-discipline. The industry profit level in 2023 is expected to improve significantly compared with that in 2022 (Source: website of Digital Cement).

(V) Management Discussion and Analysis (Continued)

2. RESULTS OF OPERATIONS

Revenue

The sales revenue was RMB21,488,959,000, representing a YOY decrease of 12.9%, with revenue analysis by product as follows:

(1) Year-on-year analysis of product sales volume, unit price and revenue

Product	2022				2021			
	Sales volume	Average selling price	Amount	Proportion	Sales volume	Average selling price	Amount	Proportion
	(thousand tonnes/ thousand cubic meters)	(RMB/ tonne)	RMB'000		(thousand tonnes/ thousand cubic meters)	(RMB/ tonne)	RMB'000	
Cement	47,570	360.8	17,161,832	79.9%	55,832	360.7	20,137,864	81.7%
Clinker	7,635	306.2	2,337,728	10.9%	8,362	284.7	2,381,060	9.7%
Concrete	3,328	421.7	1,403,513	6.5%	3,553	424.8	1,509,257	6.1%
Others (Note)	N/A	N/A	585,886	2.7%	N/A	N/A	631,363	2.5%
Total			21,488,959	100.0%			24,659,544	100.0%

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

During the Reporting Period, the Group's external sales volume of cement, clinker and concrete decreased by 8,262,000 tonnes, 727,000 tonnes and 225,000 tonnes respectively as compared to 2021, representing a decrease of 14.8%, 8.7% and 6.3% respectively. The decrease in sales volume for the year was mainly due to the slowdown in infrastructure investment and the decline in market demand as a result of the pandemic and the downward pressure on the economy.

During the Reporting Period, the Group's average selling prices of cement, clinker and concrete increased by RMB0.1, RMB21.5 and decreased by RMB3.1 respectively as compared to 2021, representing the same level as last year, an increase of 7.6% and a decrease of 0.2%, respectively. The average selling prices for the year have not changed significantly compared to 2021, and the increase in clinker prices is mainly due to the increase in coal prices.

Internal cement sales for the Group's concrete production amounted to 750,033 tonnes in 2022 (2021: 845,182 tonnes), accounting for 1.6% of total cement sales (2021: 1.5%) .

(V) Management Discussion and Analysis (Continued)

2. RESULTS OF OPERATIONS (CONTINUED)

Revenue (Continued)

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

Product	2022		2021		Change in sales volume
	Sales volume (<i>'000 tonnes</i>)	Sales proportion	Sales volume (<i>'000 tonnes</i>)	Sales proportion	
High grade cement	44,427	93.4%	52,099	93.3%	-14.7%
Low grade cement	3,143	6.6%	3,733	6.7%	-15.8%

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

During the Reporting Period, sales volume of high grade cement was 44.427 million tonnes, representing a YOY decrease of 14.7%, and sales volume of low grade cement was 3.143 million tonnes, representing a YOY decrease of 15.8%.

(V) Management Discussion and Analysis (Continued)

2. RESULTS OF OPERATIONS (CONTINUED)

Revenue (Continued)

(3) Cement sales volume by region

Region	2022				2021			
	Sales volume	Average selling price	Amount	Proportion	Sales volume	Average selling price	Amount	Proportion
	(thousand tonnes/thousand cubic meters)	(RMB/tonne)	RMB'000		(thousand tonnes/thousand cubic meters)	(RMB/tonne)	RMB'000	
Shandong Region	27,963	388.4	10,860,158	63.3%	34,480	388.2	13,386,232	66.5%
Eastern Shandong Operating Region	11,241	404.4	4,546,026	26.5%	14,213	403.6	5,736,343	28.5%
Western Shandong Operating Region	11,269	393.5	4,434,758	25.8%	13,370	383.6	5,128,911	25.5%
Southern Shandong Operating Region	5,453	344.6	1,879,374	11.0%	6,897	365.5	2,520,978	12.5%
Northeast China Operating Region	12,944	305.1	3,949,244	23.0%	13,277	317.7	4,218,026	20.9%
Shanxi Operating Region	5,670	334.3	1,895,706	11.0%	6,862	289.2	1,984,402	9.9%
Xinjiang Operating Region	993	459.9	456,724	2.7%	1,213	452.8	549,204	2.7%
Total	47,570	360.8	17,161,832	100.0%	55,832	360.7	20,137,864	100.0%

(V) Management Discussion and Analysis (Continued)

2. RESULTS OF OPERATIONS (CONTINUED)

COST OF SALES

(Unit: RMB'000)

Cost of sales	2022		2021		Change of proportion to revenue
	Amount	Proportion to revenue	Amount	Proportion to revenue	
Raw materials	5,028,805	23.4%	6,327,215	25.7%	-2.3 P.Pt.
Coal	6,066,176	28.2%	5,407,727	21.9%	6.3 P.Pt.
Power	1,532,351	7.1%	1,449,589	5.9%	1.2 P.Pt.
Depreciation and amortisation	985,546	4.6%	907,724	3.7%	0.9 P.Pt.
Others	3,646,231	17.0%	3,307,740	13.4%	3.6 P.Pt.
Total cost of sales	17,259,109	80.3%	17,399,995	70.6%	9.7 P.Pt.

During the Reporting Period, the proportion of the Group's total cost of sales to revenue was 80.3%, representing a YOY increase of 9.7 percentage points. In particular, the proportion of cost of coal, power costs, depreciation and cost of amortisation and other costs increased by 6.3, 1.2, 0.9 and 3.6 percentage points, respectively, and raw materials costs decreased by 2.3 percentage points compared with last year.

The YOY decrease in materials cost was mainly attributed to the YOY decrease in external sales of cement and clinker. In 2022, the average purchase price of coal increased by approximately 20.0% to RMB1,237.0/tonne compared with the previous year (RMB1,030.5/tonne). The unit coal consumption per tonne of clinker produced in 2022 increased to 122.2 kg from an average of 119.5 kg in 2021. The average coal cost per tonne of clinker produced in 2022 increased by 22.8% to RMB151.2 from RMB123.1 in 2021 due to the increase in coal price. The YOY increase in cost of electricity was mainly due to the increase in electricity prices and power consumption for the year. YOY increase in depreciation and amortisation costs was mainly ascribed to the increase in the amortisation amount of mining rights for the year compared to the previous year. Others increased compared with the previous year, mainly due to the increase in maintenance, safety fund and personnel expenses.

(V) Management Discussion and Analysis (Continued)

2. RESULTS OF OPERATIONS (CONTINUED)

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit for 2022 was RMB4,229,850,000 (2021: RMB7,259,549,000), representing a gross profit margin of 19.7% on revenue (2021: 29.4%). The decrease in gross profit was mainly attributable to a YOY decrease in cement and clinker sales volume. In addition, the sale price for the year remained unchanged from the previous year, yet the cost of raw materials and coal increased significantly, compressing the profit margin and resulting in a decline in gross profit margin.

Other income

Other income decreased from RMB464,126,000 to RMB315,595,000, mainly due to the decrease in government grants income and the decrease in the recognition of waiver of interest expenses as compared with the previous year.

Other net expenses

Other net expenses decreased from RMB434,067,000 to RMB175,475,000, mainly due to the recognition of a loss of RMB242,667,000 for convertible bonds for the previous year.

Selling and marketing expenses, administrative expenses and finance costs

A YOY decrease of 16.1% from RMB809,858,000 to RMB679,549,000 was recorded in selling and marketing expenses, mainly due to the decrease in sales volume of cement, transportation costs and sales service charges for the year.

A YOY increase of 2.1% from RMB1,472,882,000 to RMB1,503,136,000 was recorded in administrative expenses, mainly due to the increase in depreciation expenses and the increase in research and development expenses for new product development and process improvement during the year.

(V) Management Discussion and Analysis (Continued)

2. RESULTS OF OPERATIONS (CONTINUED)

Selling and marketing expenses, administrative expenses and finance costs (Continued)

A YOY decrease of 29.5% from RMB231,734,000 to RMB163,444,000 was recorded in finance costs, mainly due to lower interest expenses as compared with the previous year resulted from the full repayment of bonds.

Taxation

A YOY decrease of 51.2% from RMB1,109,336,000 to RMB540,824,000 was recorded in income tax expenses, due to the decrease in profit for the year.

Profit for the year

The Group recorded a net profit for the year of RMB757,131,000, representing a decrease of RMB2,137,716,000 as compared with 2021, mainly due to the the decrease in cement sales volume, the decrease in revenue and the significant increase in coal costs, resulting in a significant decrease in profit for the year.

(V) Management Discussion and Analysis (Continued)

3. FINANCIAL RESOURCE AND LIQUIDITY

The Group's financial structure has continued to improve due to its profitability in recent years and continuous repayment of borrowings. As of 31 December 2022, the total value of assets increased by approximately 8.6% to approximately RMB31,457,274,000 (2021: approximately RMB28,963,687,000), and total equity increased by approximately 3.6% to approximately RMB19,434,877,000 (2021: approximately RMB18,753,882,000). As at 31 December 2022, the Group's net gearing ratio was approximately 7.1% (2021: 5.6%), calculated based on net debt and total equity as of 31 December 2022 and 31 December 2021, respectively. The increase in net gearing ratio was mainly due to the bank loans obtained in the current year.

Bank balances and cash

As at 31 December 2022, the Group's bank balances and cash and restricted bank deposits are as below:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Bank balances and cash	2,124,362	1,423,171
Restricted bank deposits	223,473	28,908
Total	2,347,835	1,452,079

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
RMB	1,824,354	953,668
Hong Kong Dollar ("HK\$")	214,357	204,114
United States Dollar ("US\$")	309,124	294,297
Total	2,347,835	1,452,079

(V) Management Discussion and Analysis (Continued)

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Bank loans and other loans

Term of borrowings	31 December 2022 RMB'000	31 December 2021 RMB'000
Short-term borrowings (including long-term borrowings with maturity within one year)	2,780,603	2,393,659
Long-term borrowings	835,000	135,000
Total	3,615,603	2,528,659

As at 31 December 2022, all borrowings of the Group were denominated in Renminbi. The Group's total borrowings were RMB3,615,603,000, representing an increase of RMB1,086,944,000 as compared with the end of 2021. In particular, short-term borrowings amounted to RMB2,780,603,000 and accounted for 76.9% of the Group's total borrowings. As at 31 December 2022, the Group's credit facility approved by the banks was fully drawn down. As of the date of this report, the Group has successively launched new bank loan facility lines.

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

The Group had net current liabilities of RMB10,438,081,000 as at 31 December 2022. Taking into account the cash and bank balances, the expected future internally generated funds, the new banking facilities and other sources of financing to be obtained, the Board believes that the Group will be able to meet its financial obligations when they fall due in the foreseeable future.

For details in relation to the total borrowings of the Company and its interest rates, please refer to the relevant explanation in Notes 24 and Note 33 (b)(iii) to the Financial Statements.

(V) Management Discussion and Analysis (Continued)

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Capital expenditures

During the Reporting Period, capital expenditures were approximately RMB2,798,550,000, which were mainly used as investment in the new construction and technical transformation of intelligent production, mine resource reserves, cement and clinker production lines. The Group's investment and construction will be mainly financed by working capital obtained from daily operation and part of bank borrowings.

Outstanding capital commitments under production facility construction contracts and the equipment purchase contracts not provided for in the financial statements as at 31 December 2022 were:

	31 December 2022 <i>RMB'000</i>	31 December 2021 <i>RMB'000</i>
Authorised and contracted for — plant and equipment	1,457,927	1,061,592
Authorised but not contracted for — plant and equipment	1,430,757	1,093,965
Total	2,888,684	2,155,557

As of 31 December 2022, the capital commitments authorised and contracted for by the Group amounted to RMB1,457,927,000, which represents an increase of RMB396,335,000 or 37.3% as compared with the end of 2021. Capital commitments authorised but not contracted for as of 31 December 2022 amounted to RMB1,430,757,000.

(V) Management Discussion and Analysis (Continued)

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Net cash flow analysis

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net cash flow generated from operating activities	2,658,434	3,553,072
Net cash flow used in investing activities	(2,947,329)	(2,097,184)
Net cash flow generated from/(used in) financing activities	1,047,726	(1,439,860)
Net changes in cash and cash equivalents	758,831	16,028
Balance of cash and cash equivalents at 1 January	1,423,171	1,401,233
Effect of foreign exchange rate changes	(57,640)	5,910
Balance of cash and cash equivalents at 31 December	2,124,362	1,423,171

Net cash generated from operating activities

During the Reporting Period, the Group recorded a net cash generated from operating activities of RMB2,658,434,000, representing a YOY decrease of RMB894,638,000, mainly due to the decrease in sales volume of cement for the year.

Net cash used in investing activities

During the Reporting Period, the Group recorded a net cash used in investing activities of RMB2,947,329,000, representing a YOY increase of RMB850,145,000, mainly due to the increase in capital expenditure and equity investment on intelligent production, construction of new production lines and technological transformation in compliance with environmental protection laws and regulations within the Group during the year.

Net cash generated from/(used in) financing activities

During the Reporting Period, the Group recorded a net cash generated from financing activities of RMB1,047,726,000 due to the increase in net inflow of bank loans during the year, representing a YOY increase of RMB2,487,586,000 comparing to the net cash used in financing activities of RMB1,439,860,000 for the previous year, mainly due to the the repayment of bank loans, medium-term notes and redemption of convertible bonds, which resulted in a net cash outflow in the last year.

(V) Management Discussion and Analysis (Continued)

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Material acquisition and disposal of subsidiaries and affiliated companies

Details of the Company's principal subsidiaries and associates are set out in Notes 39 and 19 to the consolidated financial statements. During the Reporting Period, except for the new equity investment in the associate Shandong Yihe Junling Ecological Technology Industrial Park Co., Ltd., the Company has no other significant acquisitions or sales of subsidiaries and associates, as detailed in Note 19 to the Financial Statements.

Pledge of assets

Details in relation to pledge of assets of the Group as at 31 December 2022 are set out in Note 24 to the Financial Statements.

Contingent liabilities

Details in relation to contingent liabilities of the Group as at 31 December 2022 are set out in Note 35 to the Financial Statements.

(V) Management Discussion and Analysis (Continued)

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Use of Proceeds from the Issue of Convertible Bonds in 2018

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

The original intended use of proceeds as set out in the Convertible Bonds Announcements and the actual use of proceeds up to 31 December 2022 are set out below:

Unit: US\$ million

	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 31 December 2022	Unutilized amount as of 31 December 2022	Expected timeline for utilising the unutilised amount
Intended use of proceeds							
First 2018 Convertible Bonds							
(i) redemption of the US\$500,000,000 7.5% senior notes due 2020 issued by the Company (stock code: 5880) (the “ 2020 Notes ”)	210.9	-	-	-	-	-	N/A
Second 2018 Convertible Bonds							
(i) redemption of the 2020 Notes	233.3	-	-	-	-	-	N/A On or before 31 December 2023
(ii) general corporate use	87.4	49.3	3.9	45.4	1.8	43.6	2023
Total	531.6	3.9	3.9	45.4	1.8	43.6	

(V) Management Discussion and Analysis (Continued)

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

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

As at 31 December 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.

Management of foreign exchange exposure

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

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

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

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

(V) Management Discussion and Analysis (Continued)

4. OUTLOOK FOR 2023

(a) Operating environment outlook

From the perspective of demand: In 2023, the demand for cement is expected to stabilize and decline. At the end of 2022, multiple government departments have issued favorable real estate policies to stabilize the real estate market, and the financial benefits will support real estate development enterprises. In 2023, the real estate industry will further recover and is expected to bottom out and stabilize. It is anticipated that the year-on-year declines in new construction and completed areas will narrow, but the overall downward trend in real estate will continue. In particular, the land auction market has shrunk significantly, which will continue to affect the construction for new projects in 2023. It will take time to release demand in the short-term real estate market. Therefore, the pull-down effect of real estate on cement demand is still evident in 2023, but it will be weakened compared to 2022.

In 2022, infrastructure construction investment has maintained a high-speed growth. With the further opening up of infrastructure construction investment and financing bottlenecks, infrastructure construction in 2023 will become one of the important driving forces to support the economy, and infrastructure construction is expected to continue to maintain a rapid growth. Cement demand is expected to be flat or slightly lower throughout 2023. The demand growth rate will show the characteristics of first declining and then rising, representing a gradual increase from a low level at the beginning.

From the perspective of supply: The decline in demand makes the contradiction of overcapacity in the industry prominent and the regional convergence. Although environmental protection and low-carbon expectations still remain the momentum of “on-going rise”, and factors such as “Normalization of Staggered Peak Production”, “Carbon Peaking”, and “Power Curtailment” still have an effect on the compression of cement supply in most regions. Considering the current weak demand expectations, the original compressed cement productivity has been difficult to greatly reverse the current supply-demand imbalance. In the future, it will be necessary to adjust the industrial structure by increasing capacity reduction and concentration levels to maintain the long-term healthy development of the industry.

From the perspective of benefits: The probability of another decline in demand in 2023 is low, and the relatively stable market environment is conducive to the industry adjusting contradictions through supply and effectively transmitting cost pressures, and the industrial benefit level in 2023 is expected to improve significantly compared with 2022.

(V) Management Discussion and Analysis (Continued)

4. OUTLOOK FOR 2023 (CONTINUED)

(a) Operating environment outlook (Continued)

Problems and challenges for the cement industry for 2023

1. Demand has declined and contradiction of severe overcapacity is more prominent

In the context of a sharp decline in demand, although the industrial capacity structure is constantly being optimized, the total capacity remains high, leading to a more severe overcapacity. It is estimated that the cement clinker capacity utilization rate will be about 65% in 2022, a year-on-year decrease of 10%. In the medium term, with the continuous optimization of China's economic development structure, the downward trend of cement demand will be the normal state, and resolving the severe overcapacity will become the focus of the industry's supply-side structural reform.

2. Costs will continue to increase and industry efficiency is under great pressure

The sharp increases in coal and electricity prices will significantly increase the cost of cement production. Energy consumption, safety, environmental protection, carbon emission reduction and other requirements continue to improve, resulting in ongoing investment in technological transformation by cement enterprises that causes enterprises to increase the cost, which will pose a challenge to the steady growth of cement industry efficiency. In an environment where demand has weakened sharply, it is a test for cement enterprises to transfer costs downstream smoothly. The future investment trend of stable growth of industry efficiency will focus on market integration, industrial concentration improvement, industrial chain supply chain investment, disruptive major scientific and technological innovation, and a carbon-neutral market.

(V) Management Discussion and Analysis (Continued)

4. OUTLOOK FOR 2023 (CONTINUED)

(a) Operating environment outlook (Continued)

3. **The implementation of staggered peak production is severely challenged by the rapid decline of the market**

In recent years, market demand has been in a plateau period. The normalized staggered peak production policy issued in response to severe overcapacity has achieved significant results in improving the environment and enhancing efficiency, but in the case of rapid short-term demand decline, the marginal utility of alleviating market supply pressure has been significantly weakened. The insufficient implementation of staggered peak production in certain regions has led to a large oversupply in the market, high inventory operation and low-price efficiency.

4. **The low level of efficiency is not conducive to energy saving and carbon reduction and digital transformation**

The low benefit level of the industry is not conducive to the ongoing promotion of national “dual carbon” work, and is also not conducive to energy saving and carbon reduction or digital transformation.

(Source: analysis of the economic operation of China cement in 2022 and outlook for year 2023, Digital Cement)

(V) Management Discussion and Analysis (Continued)

4. OUTLOOK FOR 2023 (CONTINUED)

(b) Business outlook of the Company

From the perspective of industry development: The price of raw fuel materials continues to run at a high level, and the entire industry has entered a high-cost period. The capacity is in a long-term severe overcapacity stage, the market demand is becoming increasingly insufficient year by year, and the competition is becoming increasingly fierce. The industry's development will be hampered by policies on energy consumption and emissions, such as energy saving and environmental protection. However, as the national economic growth in 2023 takes the priority of restoring and expanding consumption, a large number of policies focusing on high-quality supply have been issued intensively, which not only stimulates the demand for cement in the downstream market but also accelerates the supply-side structural reform of the cement industry.

From the perspective of enterprises: The Company has multi-regional and multi-brand competitive advantages and multi-tiered and diverse product quality advantages. At the same time, the Company has increased investment in technological transformation and other aspects in recent years, which has improved the enterprise's competitive advantage and ability of survival and development.

In 2023, the Company will focus on four work directions:

Firstly, focusing on "ecological construction". Unswervingly excelling at staggered peak production and other work, and continuing to lead the way in building a sound industry ecology.

Secondly, focusing on "precision investment". Adhering to the integration of making up for shortcomings, stabilizing investment and preventing risks, identifying the shortcomings and weaknesses, and using existing funds to make precise and critical investments.

Thirdly, focusing on "strengthening the main business". Continuing to strengthen the main business of clinker and cement, strengthening the advantageous industrial chain such as aggregation, and gradually optimizing asset allocation.

Fourthly, focusing on "environmental protection segment". With the main business in mind, we will promote the development and utilization of solid and hazardous waste disposal, alternative energy and new energy, and ensure precise investment according to local conditions.

(V) Management Discussion and Analysis (Continued)

4. OUTLOOK FOR 2023 (CONTINUED)

(b) Business outlook of the Company (Continued)

Key tasks throughout the year include:

1. Legal operation and standardized management. Adhering to corporate governance in accordance with laws and regulations, and improving the scientific and standardized decision-making level. Strengthening the implementation and execution effect of the system and further rationalizing the three-level control mechanism. Strengthening legal publicity and education, and cultivating a good compliance and institutional culture.
2. Improving quality and reducing cost. Strictly implementing national regulations and standards, continuously enhancing the technical level, and improving product quality. Strengthening production cost management, strictly controlling the production process, and continuously promoting the work of tapping potential and reducing consumption. Reasonably maintaining the raw inflammable materials.
3. Continuing to enhance profitability. Implementing the concept of “price, cost and profit”, maintaining market share, and improving profitability. Eliminating obsolete capacity, implementing staggered peak production, and continuing to take a lead in building a sound industry ecology.
4. Precise investment and sustainable development. In terms of policy safety: ensuring that safety and environmental protection meet standards. In terms of resource management: accelerating the increase of resource reserves, promoting the construction of green mines, and improving the standardization and intelligence of mine management. In terms of technological transformation: continuing to increase the value of production lines.
5. Strengthening talents and driving innovation. Accelerating the reform of the innovation system and mechanism, improving the innovation evaluation system, strengthening the support of talents, and comprehensively cultivating, recruiting and utilizing talents.
6. People-oriented and safe development. Further promoting the sharing of development achievements and improving the happiness index of employees. Deepening the construction of comprehensive risk management and internal control mechanisms, and implementing risk management responsibilities. Concentrating on financing guarantee, strengthening capital management and control, and preventing financing risks.

Looking forward to 2023, the Company will, with the efforts of all its employees, keep improving the quality of its operations to take business development to a new level, and build itself into a top-notch player in the industry. Meanwhile, it will earnestly fulfill social responsibility, and reward its shareholders, employees and the society with excellent performance.

(VI) Report of the Directors

The Directors are pleased to present the annual report, including the audited consolidated financial statements of the Company for the year ended 31 December 2022:

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of cement, clinker, concrete and related products and services. Details of the principal activities of the principal subsidiaries are set out in Note 39 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

BUSINESS REVIEW

Relating to the details of the material development of the Group in 2022, a fair review of the business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, a description of the principal risks and uncertainties faced by the Group and the outlook of the Group's business are provided under the two sections headed "(IV) Corporate Profile" and "(V) Management Discussion and Analysis" in this annual report. Particulars of important events affecting the Group after 31 December 2022, if any, can also be found in the Notes to the Financial Statements. Each of the above-mentioned relevant contents form an integral part of this Report of the Directors.

ANNUAL RESULTS

The annual results of the Group for the year are set out in the consolidated statement of profit or loss on page 106.

FINAL DIVIDEND

The Company refers to its announcements dated 21 March 2022, 27 May 2022, 27 February 2023, 15 March 2023 and 3 April 2023.

On 15 March 2023, the Board announced that it recommends a final dividend of no more than RMB0.07 per share for the year ended 31 December 2022 (the "**2022 Final Dividend**") (2021: RMB0.256). The 2022 Final Dividend is subject to the Company's shareholders' approval at the Company's forthcoming annual general meeting and all necessary order and approval from the Grand Court of the Cayman Islands (the "**Grand Court**") given the outstanding winding-up petition against the Company. The proposed 2022 Final Dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2022.

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

(VI) Report of the Directors

FINAL DIVIDEND (CONTINUED)

Given the Grand Court has dismissed the Company's Validation Application in relation to the 2021 Final Dividend and the 2022 Final Dividend is also subject to a validation order from the Grand Court, the Board considers that the Grand Court is unlikely to grant such validation order. On 3 April 2023, the Board announced that it has therefore decided to withdraw its recommendation made on 15 March 2023 of the 2022 Final Dividend of no more than RMB0.07 per share. The Company will not seek its shareholders' approval at the annual general meeting on 25 May 2023 in respect of the 2022 Final Dividend.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the shareholders with entitlement to attend and vote at the annual general meeting, the register of members will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the annual general meeting, all completed transfer forms, accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, 19 May 2023.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set forth in Note 38 to the consolidated financial statements and in the consolidated statement of changes in equity on page 110 of this annual report respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the distributable reserves of the Company, as calculated based on the Companies Law of the Cayman Islands, amounted to RMB2,813,915,000, which includes the share premium account and accumulated losses, details of which please refer to Note 38 to the Financial Statements. No dividend may be paid out of the distributable reserves unless immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

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

(VI) Report of the Directors (Continued)

DONATIONS

For the year ended 31 December 2022, the Group contributed RMB30,768,000 to charitable and other donations (2021: RMB18,300,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements of property, plant and equipment of the Group during the Reporting Period in the fixed assets are set out in Note 14 to the consolidated financial statements.

TAX REDUCTION AND EXEMPTION

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, total sales attributable to the top five customers of the Group were less than 30% of total sales of the Group, and total purchases attributable to the top five suppliers of the Group were less than 30% of total purchases of the Group.

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

DIRECTORS

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

Name	Position	Gender	Age	Term of office
LI Huibao (李會寶)	Chairman of the Board and Executive Director	M	61	15 December 2021 – Now
WU Ling-ling (吳玲綾)	Executive Director	F	57	23 May 2018 – Now
HOU Jianguo (侯建國)	Executive Director	M	61	29 May 2021 – Now
CHANG Ming-cheng (張銘政)	Independent Non- Executive Director	M	68	23 May 2018 – Now
LI Jianwei (李建偉)	Independent Non- Executive Director	M	49	23 May 2018 – Now
HSU You-yuan (許祐淵)	Independent Non- Executive Director	M	68	4 September 2018 – Now

(VI) Report of the Directors (Continued)

CONFIRMATION OF INDEPENDENCE

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

PERMITTED INDEMNITY

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

AUDITOR

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

COMPETING BUSINESS

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

MANAGEMENT CONTRACTS

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

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

(VI) Report of the Directors (Continued)

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

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

EQUITY-LINKED AGREEMENT

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

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.

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 1 March 2023, Ms. WU Ling-ling has served as a director of U-Ming Marine Transport Corporation, the shares of which are listed on the Taiwan Stock Exchange Corporation (stock code: 2606).
2. With effect from 8 March 2023, Mr. CHANG Ming-cheng ceased to be the independent director and was appointed as the chairman of the Board of Medigen Vaccine Biologics Corporation, the shares of which are listed on the Taiwan Stock Exchange Corporation (stock code: 6547).

ISSUE OF SHARES AND DEBENTURES

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

(VI) Report of the Directors (Continued)

CONNECTED TRANSACTIONS

Save as disclosed in this section, all of the related party transactions as set out in Note 37 to the Financial Statements do not constitute connected transactions under the Listing Rules. The Company has complied with the relevant requirements under Chapter 14A of the Listing Rules as applicable to the Company.

Continuing Connected Transactions

The connected transactions entered into between the Company and China National Building Material Group Co., Ltd. (“**CNBMG**”), one of the substantial shareholders of the Company, as set out in this section below constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules for the year ended 31 December 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/or Shandong Donghua Cement Co., Ltd. (“**Shandong Donghua**”), each an affiliate of CNBMG:

- (a) Mine Development Services Framework Agreement;
- (b) Cement Production Equipment and Supplies Framework Agreement;
- (c) Engineering and Technical Services Framework Agreement; and
- (d) Clinker and Cement Transactions Framework Agreements (collectively, the “Framework Agreements”).

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

(VI) Report of the Directors (Continued)

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 year ended 31 December 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	608,128	702,850
Cement Production Equipment and Supplies	33,983	80,000
Engineering and Technical Services	526,407	1,469,885
Clinker and Cement Transactions	118,468	340,000

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

The auditors of the Company have confirmed in its letter that nothing has come to their attention that causes them to believe that these continuing connected transactions:

- have not been approved by the Board;
- were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
- were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- have exceeded the cap.

(VI) Report of the Directors (Continued)

CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions (Continued)

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

- a. entered into in the ordinary and usual course of business of the Group;
- b. on normal commercial terms or better; and
- c. conducted in accordance with the agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

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

- (1) Tianrui Group undertakes to settle the loan facility and the interest thereof pursuant to the facility agreement;
- (2) Tianrui Group undertakes that it will not request the repayment of the unsecured loan by the Company, in full or in part, prior to the settlement of the loan facility and the interest thereof by Tianrui Group; and
- (3) In the event that there is any default in payment of the loan facility and the interest thereof, the Company agrees to settle such amount under the corporate guarantee and Tianrui Group undertakes to waive the payment obligation of the Company in full under the unsecured loan.

(VI) Report of the Directors (Continued)

CONNECTED TRANSACTIONS (CONTINUED)

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

As of 31 December 2022, the Group borrowed RMB1.635 billion in aggregate on an interest-free basis from Tianrui Group which was mainly used to settle certain debts, including:

- (1) Interest from 7.50% senior notes due in 2020 amounting to US\$89.91 million.
- (2) Principal amount of and interest from any and all outstanding 8.50% senior notes due 2016 amounting to US\$31.345 million.
- (3) Purchase price of US\$73.473 million paid in cash for purchasing 7.50% senior notes due in 2020 issued overseas, representing 15% of the total amount of notes (US\$484.971 million).
- (4) Interest from ultra short term debenture amounting to RMB91.22 million.
- (5) A borrowing amounting to RMB30.42 million for settling litigation costs.

As of 31 December 2022, outstanding borrowings of the Company from Tianrui Group was RMB896 million.

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

MAJOR EVENTS

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In relation to the Company's environmental policies and performance, the Company has published an environment, social and governance report in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules published by the Stock Exchange together with this Annual Report.

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

15 March 2023

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

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

As of 31 December 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 31 December 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 31 December 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%

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

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) 760,271,315 (L) ⁽⁵⁾	Beneficial owner 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% 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, which owned 100% of Tianrui (International) Holding Company Limited.
- (2b) On 22 March 2016, Tianrui Group, the Company's substantial shareholder, notified the Company that it has pledged 791,000,000 shares of the Company in favor of China Bohai Bank Co., Ltd. Dalian Branch ("**Bohai Bank**") for a bank loan. In addition, according to the Form 2 filed on 8 June 2021 by Bohai Bank, on 25 April 2019, Tianrui Group has pledged an additional 160,462,000 Shares held by it in favour of Bohai Bank pursuant to a loan agreement entered into between Tianrui Group (as the borrower) and Bohai Bank (as the lender) on 7 March 2019. According to the Form 2 filed on 25 July 2022, a loan agreement entered into between Tianrui Group (as the borrower) and Bohai Bank (as the lender) on 24 February 2022. Tianrui Group has pledged 951,462,000 shares held by it in favour of Bohai Bank. The aggregate of 951,462,000 Shares which were pledged to Bohai Bank as described above represent all of the Shares of the Company held by Tianrui Group.
- (3) According to the Form 2 filed on 18 November 2014, ZHANG Caikui is the person in accordance with whose directions China Shanshui Investment Company Limited or its directors are accustomed to act.
- (4) The interest in 428,393,000 shares of the Company was held by several direct or indirect subsidiaries of Asia Cement Corporation. The interest in 142,643,000 shares of the Company was held by Yu Yuan Investment Corporation Limited, which is the party to the agreement under Section 317.
- (5) Asia Cement Corporation is the party to the agreement under Section 317.
- (6) China National Building Material Company Limited was a controlled corporation of China National Building Material Group Corporation Co., Ltd. (中國建材集團有限公司), which owned 100% of China Building Material Holdings Co., Limited.
- (7) Shen Neng International SPC – Green Planet SP is wholly owned by Shen Neng Investment Management Limited.
- (8) The number of issued shares of the Company as at 31 December 2022 was 4,353,966,228.

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

2. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

(1) Shareholdings of substantial shareholders (Continued)

Save as disclosed above, and so far as the Directors are aware, as at 31 December 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 31 December 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.

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

4. SHARE OPTION SCHEME

The Company adopted a share option scheme (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, 73,300,000 shares options were lapsed in accordance with the terms of the Share Option Scheme and therefore will not be counted for the purpose of the Existing Scheme Mandate Limit pursuant to Note 1 to Rule 17.03(3) of the Listing Rules.

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

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

4. SHARE OPTION SCHEME (CONTINUED)

Accordingly, taking into account all the options granted and conditionally granted, the outstanding Existing Scheme Mandate Limit as of the date of this report is 169,936,000 Shares, representing approximately 65.28% of the Existing Scheme Mandate Limit and approximately 3.90% of the share capital in issue (4,353,966,228 Shares) as of the date of this report.

The Shares that will be issued upon full exercise of the options currently granted under the Share Option Scheme are 90,400,000 Shares, representing approximately 2.08% of the share capital in issue (4,353,966,228 Shares) of the Company as of 31 December 2022.

Details of the options are set out as follows:

Type of Grantee	Date of Grant	Vesting period	Exercise period	Exercise price	Number of Share Options				
					Outstanding as at 1 January 2022	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at 31 December 2022
Other employee participants ¹	25 May 2011	Nil	25 May 2011 – 24 May 2021	HK\$7.90	-	-	-	-	-
Other employee participants ¹	27 January 2015	Six months after the date of grant	27 July 2015 – 26 January 2025	HK\$3.68	92,300,000	-	(1,900,000)	-	90,400,000
					92,300,000	-	(1,900,000)	-	90,400,000

Note:

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

Summary of the principal terms of the Share Option Scheme

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

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

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

4. SHARE OPTION SCHEME (CONTINUED)

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

In accordance with the Listing Rules, with effect from 1 January 2023, eligible participants shall only include the following persons:

1. directors and employees of the Company and its subsidiaries;
2. directors and employees of the Company's holding company, fellow subsidiaries or associated companies;
3. persons who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group, excluding placement agents, financial advisers or professional service providers such as auditors or valuers (collectively, the **"Eligible Participants"**).

However, as the Share Option Scheme expired on 4 July 2018, no further options will be granted by the Company.

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

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

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

An option shall be deemed to have been granted and accepted by the grantee (subject to certain restrictions of the Share Option Scheme) and to have taken effect upon the issue of the option certificates after the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 (by way of consideration for the grant thereof) shall have been received by the Company on or before the last day for acceptance. The remittance is not, in any circumstance, refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant grantee.

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

5. PRE-EMPTIVE RIGHTS

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

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

1. AS OF THE DATE OF THIS REPORT

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

Name	Position	Gender	Age	Term of office
LI Huibao (李會寶)	Chairman of the Board and Executive Director	M	61	15 December 2021 – Now
WU Ling-ling (吳玲綾)	Executive Director	F	57	23 May 2018 – Now
HOU Jianguo (侯建國)	Executive Director	M	61	29 May 2021 – Now
CHANG Ming-cheng (張銘政)	Independent Non- Executive Director	M	68	23 May 2018 – Now
LI Jianwei (李建偉)	Independent Non- Executive Director	M	49	23 May 2018 – Now
HSU You-yuan (許祐淵)	Independent Non- Executive Director	M	68	4 September 2018 – Now

(2) Biography of Directors and senior management

(a) Executive Directors

Mr. LI Huibao, aged 61, has been an Executive Director of the Company since 15 December 2021. He is the chairman of the Board and the Executive Committee and concurrently holds directorship in the subsidiaries of the Company, including Pioneer Cement and China Shanshui (Hong Kong). Mr. LI has been the chairman of Shandong Shanshui Financial Leasing Co., Ltd., a subsidiary of the Company, since November 2019. From December 1998 to March 2000, Mr. LI served as the secretary of the party committee of Tangwang Town, Licheng District, Jinan City. From March 2000 to August 2004, he served as the deputy director and a member of the party committee of the Forestry Bureau of Jinan City (from July 2001 to August 2004, he successively served as the assistant to the commissioner of Shigatse Area and the secretary of the Party Committee of Bailang County). Subsequently, Mr. LI served as the deputy director and the deputy secretary of the Party Committee (director level) of Jinan Grain Bureau from August 2004 to December 2005, the director and the secretary of the Party Committee of Jinan Grain Bureau from December 2005 to March 2012, the director and the secretary of the Party Committee of Jinan Economic and Information Technology Commission from March 2012 to April 2017, the executive deputy secretary of the Political and Legal Committee and the director of the Municipal Comprehensive Administration Office of Jinan from April 2017 to July 2019, and the president of Shandong Shanshui, a subsidiary of the Company, from July 2019 to March 2022. Mr. LI obtained a master's degree in business administration from Tsinghua University in 2006 and a doctorate degree in management from Tianjin University in 2013.

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

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

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

(a) Executive Directors (Continued)

Ms. WU Ling-ling, aged 57, has been an Executive Director of the Company since 23 May 2018 and is a member of the Executive Committee and the Nomination Committee of the Board of the Company as well as the director of various subsidiaries of the Company, including Pioneer Cement, China Shanshui (HK), Shandong Shanshui, etc. Ms. WU has more than 30 years of experience related to financial executive and management in working with international public accounting, manufacturing, telecommunications and internet service provider firms. Since July 2007, Ms. WU has served as the chief financial officer and executive vice president of ACC, a limited liability company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation (stock code: 1102). Since 1 March 2023, Ms. WU has served as a director of U-Ming Marine Transport Corporation (whose shares are listed on the Taiwan Stock Exchange Corporation (stock code: 2606)). Ms. WU serves as a director and supervisor for more than 30 companies over the years including being a former supervisor and member of the board of directors of Oriental Union Chemical Corporation (stock code: 1710), a company listed on the Taiwan Stock Exchange Corporation and a supervisor of Jia Hui Power Corporation, a subsidiary of Asia Cement. Ms. WU was an Executive Director of the Company from 14 October 2015 to 1 December 2015. Ms. WU has served as an executive director of Asia Cement (China) Holdings Corporation (whose shares are listed on the Main Board of the Stock Exchange (stock code: 743)) since 14 April 2016. From June 2001 and July 2004, Ms. WU served as the vice president of Audit Department and Corporate Controller of Far Eastone Telecommunications Co., Ltd., also a listed affiliate of FEG. She had served in diverse positions since joining the firm in June 2001. Ms. WU has financial expertise in mergers and acquisitions, working capital management, process control, and regulatory accounting and reporting. She specializes in supporting corporate strategy including streamlining, controllership, and growth initiatives. She has been successful in leading both corporate turnarounds and rapid growth expansion through two initial public equity offerings and multiple acquisitions. Ms. WU is a Certified Public Accountant registered in the United States of America and Taiwan. She received a master of business administration degree having majored in accounting from the California State University, Los Angeles and a master of business administration degree from National Zhengzhi University in Taipei.

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

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

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

(a) Executive Directors (Continued)

Mr. HOU Jianguo, aged 61, has been an Executive Director of the Company since 29 May 2021 and is a member of the Executive Committee and the Nomination Committee of the Board. Mr. HOU served as a director of China Shanshui Investment Company Limited. He also served as director and chief accountant of Jinan Industrial Development Investment Group Co., Ltd (濟南產業發展投資集團有限公司) from May 2017 to May 2022.

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

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

(b) Independent Non-Executive Directors

Mr. CHANG Ming-cheng, aged 68, has been an Independent Non-Executive Director of the Company since 23 May 2018 and is the chairman of the Audit Committee and member of both the Remuneration Committee and the Nomination Committee of the Company. Mr. CHANG received a bachelor degree in mechanical engineering from Taiwan University in 1976 and a master degree in business administration from the University of Michigan in 1978. He passed the U.S. Uniform Certified Public Accountant Examination in May 1978. After working in the United States for one year, he returned to Taiwan in 1979 and joined Deloitte & Touche Taiwan, and became an audit partner in 1990. Between September 1994 and August 1996, he was seconded to Shanghai and involved in the B share listing of Huangshan Tourism Development Co.,Ltd. and Anhui Gujing Distillery Company Limited. As an experienced auditor, he had a high level of participation in merger and acquisition activities in the PRC and Taiwan. Since June 2007, he assumed the role of reputation and risk leader at Deloitte & Touche Taiwan and was responsible for its overall quality of services and risk management till his retirement in October 2014. Mr. CHANG was an Executive Director of the Accounting Research and Development Foundation and the chairman of the Auditing Standards Committee of Taiwan from April 2011 to March 2020. He also serves as independent director for two Taiwanese listed companies, namely, Alexander Marine Co., Ltd. (東哥企業股份有限公司) and United AlloyTech Company Ltd. (精確實業股份有限公司). He has been appointed as a supervisor of the Ship and Ocean Industries R&D Center (船舶暨海洋產業研發中心) since January 2019. Mr. CHANG served as the independent director of Medigen Vaccine Biologics Corporation (高端疫苗生物製劑股份有限公司) ("Medigen Vaccine"), whose shares are listed on the Taiwan Stock Exchange Corporation (stock code: 6547), and was re-designated as the chairman of the Board of Medigen Vaccine since 8 March 2023.

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

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

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

(b) Independent Non-Executive Directors (Continued)

Mr. LI Jianwei, aged 49, has been an Independent Non-Executive Director of the Company since 23 May 2018 and is the chairman of the Remuneration Committee, a member of both the Nomination Committee and the Audit Committee of the Company. Mr. LI is a Juris Doctor, a professor of Commercial Law at China University of Political Science and Law and a supervisor of doctoral students. He also serves as the director of Department of Law and Commerce of Business School, chairman of Academic Committee of Business School, as well as the secretary general of the Commercial Law Research Society of China Law Society. His main research areas include, among others, civil and commercial law, corporate law, securities law, corporate governance, etc. He is a well-known young and middle-aged company law expert in China who has made outstanding achievements in the research of a broad range of commercial laws including company law, securities law, insurance law, investment fund law and trust law, etc. He worked as a post-doctoral researcher at the Business School of the Renmin University of China from 2002 to 2004, a senior visiting scholar at the Law School of University of The New South Wales, Australia from 2008 to 2009 and a visiting professor at the Law School of The Aoyama Gakuin University in Japan from 2013 to 2015. His past positions also include the executive director and secretary general of the Commercial Law Research Society of China Law Society, executive director of China Association of Business Law, member of the 1st, 2nd and 3rd Hong Kong and Macau Law Committee of Zhuhai Hengqin New Area, member of Expert Advisory Committee of courts such as Guangzhou Intermediate People's Court, and arbitrator of arbitration committees in Beijing, Fuzhou, Changsha, Guangzhou, Zibo, Beihai, Ordos and, Zhuhai, etc. He has been in charge of more than 10 national and provincial level projects, including a chief specialist of significant projects under the National Social Science Fund of China, youth research project under the National Social Science Fund of China, the Humanities and Social Science Fund of the Ministry of Education, rule of law theory projects of the Ministry of Justice and social science projects under Beijing Social Science Fund, etc and China International Economic and Trade Arbitration Commission. He has been in charge of the Youth Research Innovation Team Project of Commercial Law in China University of Political Science and Law for 6 years from 2012 to 2018. He has published more than 200 academic papers in publications such as China Legal Science, Journal of Law and Xinhua Digest, and published more than 10 books and translated works including "A Study of Independent Directors", "Corporate Mechanism, Corporate Management and Corporate Governance" and "Company Law". He has won many awards for research excellence such as the second prize in Dong Biwu Youth Law Achievement Award and the third prize in the 4th China Law Outstanding Achievement Award. As a legal expert, he has successively participated in expert argumentation of a number of legislative and judicial interpretation documents, including, among others, General Principles of Civil Law, Civil Code – Contracts, Company Law, Electronic Commerce Law and Company Law Interpretation (3) (4). He has won the Outstanding Teacher Award of 2011 and Excellent Teacher Award of 2007, 2009, 2010, 2016 of the China University of Political Science and Law. He has been awarded as one of the Ten Teachers Most Welcomed by

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

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

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

(b) Independent Non-Executive Directors (Continued)

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

Mr. HSU You-yuan, aged 68, has been an Independent Non-Executive Director of the Company since 4 September 2018 and is the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Company. Mr. HSU has been the chairman and president of DCH Solargiga GmbH since February 2018 and a non-executive director of Solargiga Energy Holdings Limited (“Solargiga Energy”) (Stock Code: 757) since June 2016. Before that, he served as an executive director from 2007 to 2016 and the chief executive officer in year 2015 of Solargiga Energy. He served as the vice-chairman of Water Works Corp. (“WWX”) (Stock Code: 6182.TWO), which is a manufacturer of silicon wafer for the semiconductor industry, from 2003 to 2007 and served as the managing director of WWX from 1998 to 2003. Mr. HSU’s previous work credentials also include acting as deputy general manager of Mosel Vitelic Inc., a company listed on the Taiwan Stock Exchange with stock code 2342 and as a member of the board of directors and executive vice-president of Mosel Vitelic (Hong Kong) Limited, a subsidiary of Mosel Vitelic Inc. Mr. HSU had also made contributions to non-commercial sectors in the past. He served as a researcher, a deputy director, and the director of business department of the Executive Yuan Development Fund of Taiwan (Executive Yuan Development Fund is now known as National Development Fund, Executive Yuan). He was also a lecturer of Statistics and Managerial Mathematics for the business administration department at the Chinese Culture University and published the Supply and Demand Models of Cement in Taiwan in the Taiwan Economy (Issue 59 of 1981) of the Economic Planning and Mobilization Council Taiwan Provincial Government. Mr. HSU obtained his bachelor’s degree in Statistics from National Cheng Kung University in 1978 and his master’s degree in International Business Administration from Chinese Culture University in 1980.

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

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

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

(c) Senior management

Mr. Zhang Jiwu, aged 52, has served as a director and president of Shandong Shanshui since December 2021 and March 2022, respectively. Mr. Zhang has nearly thirty years of experience in the industry. He has successively served as a deputy manager, manager of the administration department, director of the Party Committee office, director of logistics dispatch center, director of material management department, assistant to the general manager, deputy general manager of the marketing company of China United Cement Lunan Co., Ltd.; general manager of the administration and human resources department, chief administrative officer and general manager of the administration department, general manager of the human resources department of China United Cement Corporation (中國聯合水泥集團有限公司) from March 2008 to March 2010; the head of the office of China National Building Material Group Corporation (中國建築材料集團有限公司) from March 2010 to August 2016; the head of the office of China National Building Material Group Corporation Co., Ltd. (中國建材集團有限公司) from August 2016 to November 2019; vice president of Shandong Shanshui from January 2019 to March 2022; director of China Materials Energy Saving Co., Ltd. (中材節能股份有限公司). Mr. Zhang obtained his master's degree in business administration from Nankai University in 2009.

Mr. WANG Mingbo, aged 60, was appointed as a director and vice president of Shandong Shanshui in July 2018, mainly responsible for managing the daily affairs of Shandong Shanshui. Mr. WANG graduated from Jinan Textile Industry School (濟南紡織工業學校) and successively studied industrial enterprise management and economic management at Shandong University of Technology (山東工業大學) and Shandong Provincial School of the Communist Party of China (山東省委黨校) as a part-time student. He is a member of the Communist Party of China. Mr. WANG has 29 years of experience in governments and over 30 years of experience in economy management. Mr. WANG served the Technology Development Company of Jinan Economic Committee from August 1987 to October 1990, responsible for the management of enterprises. From October 1990 to April 2010, he successively served as a deputy-senior staff, a senior staff of the production department, a senior staff of the production department, a deputy director and director of the safety and environment protection department, the head of the office of the petroleum zone and the director of the industrial restructuring and adjustment division con the head of the supervision office of key technological projects of Jinan Economic Committee. He was the director of the planning and technological transformation department of Jinan Economic and Information Technology Committee from April 2010 to June 2012; the deputy head of Jinan Economic and Information Technology Committee from June 2012 to July 2018. Mr. WANG has been the chairman and a deputy general manager of Jinan Industrial Development and Investment Group Company Limited (濟南產業發展投資集團有限公司) since July 2018.

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

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

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

(d) Company secretary

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

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

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

Except as stated in item 1, during the Reporting Period, none of the Directors or senior management has been appointed or retired.

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

3. SERVICE CONTRACTS OF DIRECTORS

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

For the year ended 31 December 2022, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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

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

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

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

5. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT FOR THE YEAR

Please refer to Notes 11, 12 and 37(c) to the Financial Statements for details of the remuneration of Directors and senior management of the Group during the Reporting Period.

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

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

6. HIGHEST PAID INDIVIDUALS

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

7. HUMAN RESOURCES

As at 31 December 2022, the Group had a total of 17,470 employees. The Group provides retirement insurance, medical insurance and unemployment insurance and makes contributions to the housing provident scheme for its employees in the PRC in accordance with applicable laws and regulations in the PRC. The Group remunerates its employees based on their respective work performance and experience and reviews its employee remuneration policies as and when appropriate. Please refer to Note 9(b) to the Financial Statements for details of the Group's personnel expenses such as salaries and benefits during the Reporting Period.

(IX) Report on Corporate Governance

CORPORATE GOVERNANCE CULTURE

The Company is committed to maintaining high standards of corporate governance and believes that good governance is critical to the long-term success and sustainability of the Company's business.

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder value will be maximised in the long term and that its employees, business partners and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view of ensuring that its objectives are met. The Board reviews the Company's corporate governance policies and practices on a regular basis and makes changes as necessary to protect the interests of shareholders, enhance corporate value, increase transparency and strengthen accountability.

(IX) Report on Corporate Governance (Continued)

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining good corporate governance standards.

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code contained in Appendix 14 to the Listing Rules. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

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).

Meeting between Chairman and Independent Non-Executive Directors

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

(IX) Report on Corporate Governance (Continued)

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Model Code for Securities Transactions by Directors also applies to all employees who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Model Code by the employees was noted by the Company.

BOARD OF DIRECTORS

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

Board Composition

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

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities.

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

(IX) Report on Corporate Governance (Continued)

BOARD OF DIRECTORS (CONTINUED)

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

Executive Directors

Mr. LI Huibao (*appointed on 15 December 2021 as Chairman*)

Ms. WU Ling-ling (*appointed on 23 May 2018*)

Mr. HOU Jianguo (*appointed on 29 May 2021*)

Independent Non-Executive Directors

Mr. CHANG Ming-cheng (*appointed on 23 May 2018*)

Mr. LI Jianwei (*appointed on 23 May 2018*)

Mr. HSU You-yuan (*appointed on 4 September 2018*)

Save as disclosed above, there is no relationships (including financial, business, family or other material/relevant relationship(s)) between the Board members.

Board Meetings

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

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

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

(IX) Report on Corporate Governance (Continued)

BOARD OF DIRECTORS (CONTINUED)

Directors' Attendance Records at Board Meetings and General Meetings

During the Reporting Period, the Board held 7 meetings and the Directors' attendance records are as follows:

Name of Directors	Attendance during the Reporting Period
Executive Directors:	
Mr. LI Huibao	7/7
Ms. WU Ling-ling	7/7
Mr. HOU Jianguo	7/7
Independent Non-Executive Directors:	
Mr. CHANG Ming-cheng	7/7
Mr. LI Jianwei	7/7
Mr. HSU You-yuan	7/7

During the Reporting Period, two general meetings were held and the Directors' attendance records are as follows:

Name of Directors	Attendance during the Reporting Period
Executive Directors:	
Mr. LI Huibao	2/2
Ms. WU Ling-ling	2/2
Mr. HOU Jianguo	2/2
Independent Non-Executive Directors:	
Mr. CHANG Ming-cheng	2/2
Mr. LI Jianwei	2/2
Mr. HSU You-yuan	2/2

(IX) Report on Corporate Governance (Continued)

BOARD OF DIRECTORS (CONTINUED)

Chairman and Chief Executive Officer

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

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

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

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).

(IX) Report on Corporate Governance (Continued)

BOARD OF DIRECTORS (CONTINUED)

Independent Non-Executive Directors

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

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

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

Board Independence

Independent Non-Executive Directors enhance the effectiveness and decision-making of the Board by providing objective judgment and constructive challenge to management.

The Company has established a Board Independence Evaluation Mechanism during the year which sets out the processes and procedures to ensure Board independence and enables the Board to exercise independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance-for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2022, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

(IX) Report on Corporate Governance (Continued)

BOARD OF DIRECTORS (CONTINUED)

Appointment and Re-election of Directors

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

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

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

BOARD COMMITTEES

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

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

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

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

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

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

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

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

The Respective Responsibilities of the Board and Management and Their Contributions to the Issuer (Continued)

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

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

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

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

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

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

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Continuous Professional Development of Directors (Continued)

The individual training record of each existing Director received for year ended 31 December 2022 is set out as follows:

Directors	Type of Training ^{Note}
Executive Directors	
Mr. LI Huibao	A and B
Ms. WU Ling-ling	A and B
Mr. HOU Jianguo	B
Independent Non-Executive Directors	
Mr. CHANG Ming-cheng	A
Mr. LI Jianwei	A and B
Mr. HSU You-yuan	A and B

Note:

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

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

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

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

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

Audit Committee

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

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

- to monitor the independence of external auditors, the financial reporting process and effectiveness of the risk management and internal control system; and
- to perform the following tasks as set out in Code Provision A.2.1 of the Corporate Governance Code:
 - (1) to develop and review the Company's policies and practices on corporate governance;
 - (2) to review and monitor the training and continuous professional development of directors and senior management;
 - (3) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;
 - (4) to review and monitor the code of conduct and compliance manual of employees and directors; and
 - (5) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

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

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Audit Committee (Continued)

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

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

The results of the Group for the Reporting Period were reviewed by the Audit Committee at the meeting held on 15 March 2023. At such meeting, the Audit Committee considered and approved the audited financial statements of the Company for the Reporting Period prepared in accordance with IFRS and the internal audit report.

During the Reporting Period, the Audit Committee held 6 meetings and the attendance records of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	Attendance during the Reporting Period
Mr. CHANG Ming-cheng	6/6
Mr. LI Jianwei	6/6
Mr. HSU You-yuan	6/6

Remuneration Committee

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

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

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Remuneration Committee (Continued)

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

The remuneration of the Directors and senior management, whose biographical details are included in section headed “(2) Biography of Directors and senior management” of “(VIII) Basic Information on Directors, Senior Management and Employees” of this Annual Report, during the year falls within the following bands:

Remuneration (RMB)	Number of Individuals
Nil to RMB1,000,000	4
RMB1,000,001 to RMB2,000,000	1
RMB2,000,001 to RMB3,000,000	2
RMB3,000,001 to RMB4,000,000	1

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of Executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each Executive Director. The remuneration policy for Independent Non-executive Directors is to ensure that Independent Non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the Independent Non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Individual Directors and senior management have not been involved in deciding their own remuneration.

During the Reporting Period, the Remuneration Committee held 6 meetings and the attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance during the Reporting Period
Mr. LI Jianwei	6/6
Mr. CHANG Ming-cheng	6/6
Mr. HSU You-yuan	6/6

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Nomination Committee

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

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

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

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

During the Reporting Period, the Nomination Committee has reviewed the Board Diversity Policy and Director Nomination Policy as well as the nomination procedures and selection and recommendation standards for candidates of Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

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

Name of Members of the Nomination Committee	Attendance during the Reporting Period
Mr. HSU You-yuan	3/3
Ms. WU Ling-ling	3/3
Mr. HOU Jianguo	3/3
Mr. CHANG Ming-cheng	3/3
Mr. LI Jianwei	3/3

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Director Nomination Policy

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

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

The nomination process set out in the Director Nomination Policy is as follows:

Appointment of New Director

- (i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.
- (ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- (iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- (iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- (v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Re-election of Director at General Meeting

- (i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.
- (ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.
- (iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

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

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

During the year ended 31 December 2022, there was no change in the composition of the Board.

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

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Board Diversity Policy

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

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

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

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender

Male: 5 Directors
Female: 1 Director

Age Group

41–50: 1 Director
51–60: 1 Director
61–70: 4 Directors

Designation

Executive Directors: 3 Directors
Independent Non-executive Directors: 3
Directors

Educational Background

Business Administration: 2 Directors
Account and Finance: 3 Directors
Legal: 1 Director

Nationality

Chinese: 6 Directors

Business Experience

Accounting & Finance: 3 Directors
Legal: 1 Director
Experience related to the Company's Business:
2 Directors

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Board Diversity Policy (Continued)

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set in the Board Diversity Policy.

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

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

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group as at 31 December 2022:

	Female	Male
Board	16.67%	83.33%
Overall workforce	24.28%	75.72%

The Board currently consists of one female member. The Board targets to maintain at least the current level of female representation.

The Company has implemented fair employment practices and recruitment is merit-based and not discriminatory. We will continue to strive to improve the representation of women and to achieve the right balance of gender diversity, taking into account the expectations of our shareholders and the recommended best management.

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Executive Committee

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

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

The Board dissolved the Executive Committee on 16 March 2023.

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Corporate Governance Functions

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

During the year, the Audit Committee met 6 times to review the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

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

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM ON OPERATIONS

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

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

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

(IX) Report on Corporate Governance (Continued)

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM ON OPERATIONS (CONTINUED)

- (2) Equipment management: The Group has established an equipment examination and process overhaul system. The overhaul of small equipment of subsidiaries is carried out by themselves after approval. The overhaul of large equipment is carried out by the Technical Department of the Group. Strict acceptance procedures are implemented. The Technical Department monitors data on the operation of equipment to prevent equipment breakdown and accident.
- (3) Quality control: The Group enforces national quality standards and implements real-time quality control. The Quality Control Department inspects samples of the subsidiaries and new product research and development to ensure products of the Group attain national standards.
- (4) Financial management: The Group maintains a budgetary system, formulates a set of unified financial management procedures and supervises the financial manager appointment procedures to ensure their independence. It also implements a centralized funding management system. All financing activities are approved by the Group's headquarters and financing sources are arranged on unified channels. The Group implements a strict funding approval procedure. The Group's Treasury Department supervises the use of fund through the funding settlement centre to prevent funding risks.
- (5) Material procurement management: The Group has established a set of material procurement procedures to implement unified bidding procedures and to make purchases by comparing quality and prices for coal, spare parts, supplies and equipment. The Group and its subsidiaries control material procurement risks by monitoring quality, price, inventory and payment through the "one vehicle one inspection, one vehicle one settlement" system for raw materials, and the intelligent storage management system for spare parts.
- (6) Sales management: The Group implements unified policies for regional market development, pricing and product sales, and has been carrying out a "cash before delivery" selling a policy to non-major ordinary customers. The Sales and Marketing Department of the Group monitors invoicing, goods delivery and pricing of its subsidiaries through the intelligent sales system, and collects market information and customer feedbacks to the Group for improvement of product quality and sales service.
- (7) Project investment management: The Group formulates medium-to-long-term development strategic plans and submits results for approval by the Board before implementation. For construction projects, the Engineer Department at the Group's headquarters carries out project design. The Strategic Department is responsible for project construction management and production debugging. The Audit Department performs an audit of project budgets and final accounts.
- (8) Human resources management: The Group maintains policies and procedures for contract management, employment, work and rest, performance appraisal, rewards and punishment, and has developed staffing and wage standards on a unified basis for its subsidiaries. The Human Resources Department of the Group has implemented supervision to control employment risks. The Group implements a unified talent recruitment and development plan.

(IX) Report on Corporate Governance (Continued)

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM ON OPERATIONS (CONTINUED)

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

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

The Company has established an Anti-Corruption policy and the Whistleblowing Policy with mechanisms to prevent, detect, report and investigate fraud, bribery or other misconduct. In accordance with the Whistleblower Policy, employees of the Company and those who deal with the Company are able to report any concerns, suspected malpractice and misconduct or irregularity related to the Company directly and anonymously to the Audit Committee about possible improprieties in any matters related to the Company.

The Company will continue to disseminate anti-corruption issues to employees and remind them of relevant precautions to enhance their awareness of anti-corruption and create a culture of integrity.

INSIDE INFORMATION

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

(IX) Report on Corporate Governance (Continued)

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022.

The Directors have prepared the financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

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

The statement of the external auditors of the Company about their reporting responsibilities on the Financial Statements is set out in the Independent Auditors' Report on pages 100 to 105.

AUDITORS' REMUNERATION

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

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2022 amounted to RMB5,800,000 and RMB900,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company, Moore Stephens CPA Limited, in respect of audit services and non-audit services for the year ended 31 December 2022 is set out below:

Service Category	Total Fees (Paid and Payable) <i>(RMB'000)</i>
Audit services	5,800
Non-audit services	
– Agreed-upon procedures of 2022 interim report	900
	6,700

(IX) Report on Corporate Governance (Continued)

COMPANY SECRETARY

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

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

SHAREHOLDERS' RIGHTS

As set forth in the Shareholders' Communication Policy, the Company has established a Shareholder Communication Policy to ensure that the views and concerns of Shareholders are appropriately addressed and regularly reviewed to ensure that the policy is effective.

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

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

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

(IX) Report on Corporate Governance (Continued)

SHAREHOLDERS' RIGHTS (CONTINUED)

Putting Forward Proposals at General Meetings

1. To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her proposal (“**Proposal**”) with his/her detailed contact information at the Company’s principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.
2. The request will be verified with the Company’s Hong Kong Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.
3. The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:
 - (a) At least 14 clear days’ and 10 clear business days’ notice in writing if the Proposal constitutes an ordinary resolution in an extraordinary general meeting of the Company;
 - (b) At least 21 clear days’ and 10 clear business days’ notice in writing if the Proposal constitutes a special resolution of the Company in an extraordinary general meeting of the Company or an ordinary resolution of the Company in an annual general meeting of the Company.

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

On 14 January 2022, the Company convened an extraordinary general meeting, at which four ordinary resolutions (including the continuing connected transactions involving the Mine Development Services Framework Agreement and the Engineering and Technical Services Framework Agreement and re-election of Director) were approved. Details of which were disclosed in the announcement of the Company dated 14 January 2022 in relation to the poll results of the extraordinary general meeting.

On 27 May 2022, the Company convened an annual general meeting, at which five ordinary resolutions (including declare of a final dividend, the re-election of directors, reappointment of auditors and granting general mandates to the Board) were approved and adopted. Details of which were disclosed in the announcement of the Company dated 27 May 2022 in relation to the poll results of the annual general meeting.

(IX) Report on Corporate Governance (Continued)

SHAREHOLDERS' RIGHTS (CONTINUED)

Putting Forward Enquiries to the Board

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

Contact Details

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

Address: 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong
(For the attention of the Board of Directors)

Fax: 2956 2192

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

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

(IX) Report on Corporate Governance (Continued)

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS (CONTINUED)

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form.

The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkex.com.hk) in a timely manner as required by the Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules. Shareholders and non-registered holders of the Company's securities shall have the right to choose the language (either English or Chinese) or means of receipt of the Corporate Communication (in printed form or through electronic means).

(b) Announcements and Other Documents Pursuant to the Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(c) Corporate Website

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (<http://www.sdsunnsygroup.com>). Other corporate information about the Company's business developments, goals and strategies, corporate governance and risk management will also be available on the Company's website.

(IX) Report on Corporate Governance (Continued)

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS (CONTINUED)

Shareholders' Communication Policy (Continued)

(d) Shareholders' Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolutions(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

(e) Shareholders' Enquiries

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Computershare Hong Kong Investor Services Limited, via its online holding equity service at www.computershare.com/hk/contact, or call its hotline at (852) 2862 8555, or go in person to its public counter at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Enquiries about Corporate Governance or Other Matters to be put to the Board and the Company

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send any enquiries to the Board by post to 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon Hong Kong.

(IX) Report on Corporate Governance (Continued)

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS (CONTINUED)

Shareholders' Communication Policy (Continued)

(f) Other Investor Relations Communication Platforms

Investor/analysts briefings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums etc. will be launched on a required basis.

Amendments to Constitutional Documents

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

Dividend Policy

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

(X) Major Events

1. MATERIAL LITIGATION IN THE CAYMAN ISLANDS

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

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

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

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

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

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

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

(X) Major Events (Continued)

1. MATERIAL LITIGATION IN THE CAYMAN ISLANDS (CONTINUED)

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

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

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

On 28 November 2022, the Company applied for a validation order to make payment of the final dividend as resolved at the Annual General Meeting of the Company held on 27 May 2022, and a variation of a prior validation order dated 11 October 2018. Tianrui and the Company attended a hearing before the Grand Court on 24 February 2023 in respect of this application. Subsequent to the hearing before the Grand Court on 24 February 2023, the Grand Court thoroughly considered factors such as the equal treatment of the Shareholders, the Listing Rules, and the desire not to complicate the course of any hypothetical winding up. The Grand Court handed down its judgment on the Validation Application and dismissed the Validation Application on 31 March 2023. As a result of the judgment, the final dividend for the year ended 31 December 2021 will not be payable to the Shareholders.

For further details, please refer to the announcements published by the Company on 4 September 2018, 20 September 2018, 12 October 2018, 16 October 2018, 23 October 2018, 29 October 2018, 14 November 2018, 13 December 2018, 18 January 2019, 22 January 2019, 15 February 2019, 21 March 2019, 1 April 2019, 17 April 2019, 5 June 2019, 17 September 2019, 19 February 2020, 7 April 2020, 24 March 2021, 21 March 2022, 5 August 2022, 27 February 2023, 15 March 2023 and 3 April 2023.

2. MATERIAL LITIGATION IN HONG KONG

HCA 2880 of 2015 and CACV 91 of 2020

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

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

(X) Major Events (Continued)

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.

(X) Major Events (Continued)

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-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-Re-Amended Defence on 15 April 2021.

(X) Major Events (Continued)

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.

(X) Major Events (Continued)

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. PUBLIC FLOAT

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

Independent Auditor's Report



MOORE

Moore Stephens CPA Limited

801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180

F +852 2375 3828

www.moore.hk

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To the shareholders of China Shanshui Cement Group Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Shanshui Cement Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as “**the Group**”) set out on pages 106 to 248, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS

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

Key audit matter	How the matter was addressed in our audit
Impairment assessment on property, plant and equipment, right-of-use assets and intangible assets	
<p>We identified the impairment assessment on property, plant and equipment, right-of-use assets and intangible assets belonging to certain cash-generating units as a key audit matter due to the involvement of significant judgements and assumptions in estimating the recoverable amounts of the cash-generating units to which property, plant and equipment, right-of-use assets and intangible assets have been allocated.</p> <p>With reference to the financial performance of certain cash-generating units, the management considered that indications of impairment of certain property, plant and equipment, right-of-use assets and intangible assets of the Group existed as at 31 December 2022. Accordingly, the management assessed whether there was any impairment of the property, plant and equipment, right-of-use assets and intangible assets used by those cash-generating units at 31 December 2022 by preparing value in use calculations. The value in use calculations require the Group to estimate the future cash flows expected to arise from the cash-generating units and suitable discount rates in order to calculate the present value.</p> <p>The carrying amounts of property, plant and equipment, right-of-use assets and intangible assets for which the management has performed impairment assessment as at 31 December 2022 are RMB16,963,357,000, RMB2,326,174,000 and RMB1,569,445,000, respectively, as disclosed in notes 14, 15 and 16, respectively, to the consolidated financial statements.</p>	<p>Our procedures in relation to the impairment assessment on property, plant and equipment, right-of-use assets and intangible assets included:</p> <ul style="list-style-type: none"> • We obtained an understanding of the management's process and basis adopted in preparing the cash flow forecasts, including significant assumptions; • We challenged the key assumptions adopted by the management, including growth rates and gross margin, by referring to the industry information and the management's budget; • We assessed the key factors in determining the discount rates, including the cash-generating unit's debt and equity ratio, return on investments and other risk factors, and comparing to discount rates adopted in the cement industry for reasonableness; • We compared the expected changes in projected sales volume, selling prices and direct costs used against historical performance and discussed with the management on revenue growth strategies and cost initiatives in respect of the cash-generating unit; and • We evaluated the sensitivity analysis performed by the management in respect of the growth rates and discount rates to assess the extent of impact on the calculations of the value in use.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How the matter was addressed in our audit
Assessment of loss allowance for expected credit losses on trade and bills receivables and other receivables	
<p>We identified the assessment of loss allowance for expected credit losses on trade and bills receivables and other receivables as a key audit matter as the assessment of expected credit losses involved high level of estimation uncertainty and required exercise of significant management judgement.</p> <p>The carrying amounts of trade and bills receivables and other receivables for which the management has performed assessment of loss allowance for expected credit losses as at 31 December 2022 are RMB1,763,731,000 and RMB886,727,000 respectively as disclosed in note 33(b)(i) to the consolidated financial statements. Net reversal of impairment loss on trade and bills receivables of approximately RMB6,131,000 and net impairment loss on other receivables of RMB24,345,000 respectively were recognised during the year.</p>	<p>Our procedures to evaluate the assessment of loss allowance for expected credit losses on trade and bill receivables and other receivables included:</p> <ul style="list-style-type: none"> • We obtained an understanding on the management's process for credit risk assessment and impairment assessment of allowance for expected credit losses on trade and bills receivables and other receivables; • We tested, on a sample basis, the accuracy of aging of trade and bills receivables balances based on invoice date and due date as at the end of the reporting period to the underlying invoices; and • For the collectively assessed expected credit losses, we assessed the reasonableness of the Group's expected credit losses models, including the model inputs, model design, model performance for significant portfolios.

Independent Auditor's Report (Continued)

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

Independent Auditor's Report (Continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (Continued)

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

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

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

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

Moore Stephens CPA Limited

Certified Public Accountants

Hong Kong, 15 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	6(a)	21,488,959	24,659,544
Cost of sales		(17,259,109)	(17,399,995)
Gross profit		4,229,850	7,259,549
Other income	7	315,595	464,126
Reversal of impairment/(impairment losses) on trade receivables, net		6,131	(44,393)
Impairment losses on other receivables, net		(24,345)	(36,453)
Selling and marketing expenses		(679,549)	(809,858)
Administrative expenses		(1,503,136)	(1,472,882)
Other net expenses	8	(175,475)	(434,067)
Expenses incurred during off-peak suspension		(705,038)	(727,742)
Profit from operations		1,464,033	4,198,280
Finance costs	9(a)	(163,444)	(231,734)
Share of results of associates		(2,634)	37,637
Profit before taxation	9	1,297,955	4,004,183
Income tax expense	10(b)	(540,824)	(1,109,336)
Profit for the year		757,131	2,894,847
Attributable to:			
Equity shareholders of the Company		748,702	2,777,298
Non-controlling interests		8,429	117,549
Profit for the year		757,131	2,894,847
Earnings per share	13		
Basic (RMB)		0.17	0.64
Diluted (RMB)		0.17	0.64

The notes on pages 113 to 248 form parts of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	<i>Note</i>	2022 RMB'000	2021 RMB'000
Profit for the year		757,131	2,894,847
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit obligations	27(c)	2,100	(420)
Exchange differences arising on translation from functional currency to presentation currency		(53,195)	11,499
Other comprehensive (expense)/ income for the year		(51,095)	11,079
Total comprehensive income for the year		706,036	2,905,926
Attributable to:			
Equity shareholders of the Company		697,607	2,788,377
Non-controlling interests		8,429	117,549
Total comprehensive income for the year		706,036	2,905,926

The notes on pages 113 to 248 form parts of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2022

	Notes	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment	14	16,963,357	15,963,349
Right-of-use assets	15	2,326,174	2,340,463
Intangible assets	16	1,569,445	1,295,554
Goodwill	17	90,132	90,132
Other financial assets	18	18,208	20,920
Interests in associates	19	514,029	316,660
Deferred tax assets	30(a)	317,403	214,911
Other long-term assets	22(b)	881,310	935,215
		22,680,058	21,177,204
Current assets			
Inventories	20	3,230,312	2,761,944
Trade and bills receivables	21	1,763,731	2,289,310
Prepayments and other receivables	22(a)	1,435,338	1,283,150
Restricted bank deposits	23	223,473	28,908
Bank balances and cash	23	2,124,362	1,423,171
		8,777,216	7,786,483
Current liabilities			
Bank loans – amount due within one year	24	2,780,603	2,392,750
Other borrowings	24	–	909
Trade payables	25	4,711,006	3,737,635
Other payables and accrued expenses	26(a)	2,291,581	2,283,495
Contract liabilities	26(b)	519,332	527,927
Taxation payable		129,624	390,574
Lease liabilities	29	5,935	9,852
		10,438,081	9,343,142
Net current liabilities		(1,660,865)	(1,556,659)
Total assets less current liabilities		21,019,193	19,620,545

Consolidated Statement of Financial Position (Continued)

At 31 December 2022

	<i>Notes</i>	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current liabilities			
Bank loans - amount due after one year	24	835,000	135,000
Long-term payables	26(c)	241,095	263,423
Defined benefit obligations	27(c)	100,830	107,730
Deferred income	28	302,223	243,104
Lease liabilities	29	55,965	53,023
Deferred tax liabilities	30(a)	49,203	64,383
		1,584,316	866,663
Net assets			
		19,434,877	18,753,882
Capital and reserves			
Share capital	32(a)	295,671	295,671
Share premium		8,235,037	8,235,037
Share capital and share premium		8,530,708	8,530,708
Other reserves		10,632,905	9,957,526
Total equity attributable to equity shareholders of the Company			
		19,163,613	18,488,234
Non-controlling interests			
		271,264	265,648
Total equity			
		19,434,877	18,753,882

The consolidated financial statements on pages 106 to 248 were approved and authorised for issue by the Board of Directors on 15 March 2023.

LI Huibao
Director

WU, Ling-ling
Director

The notes on pages 113 to 248 form parts of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserves	Other reserves	Exchange reserve	Accumulated profit	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2021	295,671	8,235,037	1,915,741	265,372	(372,136)	5,363,113	15,702,798	179,219	15,882,017
Profit for the year	-	-	-	-	-	2,777,298	2,777,298	117,549	2,894,847
Other comprehensive income for the year	-	-	-	-	11,499	(420)	11,079	-	11,079
Total comprehensive income for the year	-	-	-	-	11,499	2,776,878	2,788,377	117,549	2,905,926
Transfer between reserves	-	-	121,775	-	-	(121,775)	-	-	-
Appropriation to maintenance and production funds	-	-	112,052	-	-	(112,052)	-	-	-
Utilisation of maintenance and production funds	-	-	(86,501)	-	-	86,501	-	-	-
Acquisition of non-controlling interests without a change in control	-	-	-	(2,941)	-	-	(2,941)	(8,470)	(11,411)
Distribution to non-controlling interests	-	-	-	-	-	-	-	(22,650)	(22,650)
Lapse of share options scheme	-	-	-	(22,129)	-	22,129	-	-	-
At 31 December 2021	295,671	8,235,037	2,063,067	240,302	(360,637)	8,014,794	18,488,234	265,648	18,753,882
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 year	-	-	-	-	-	748,702	748,702	8,429	757,131
Other comprehensive expense for the year	-	-	-	-	(53,195)	2,100	(51,095)	-	(51,095)
Total comprehensive income for the year	-	-	-	-	(53,195)	750,802	697,607	8,429	706,036
Transfer between reserves	-	-	192,158	-	-	(192,158)	-	-	-
Appropriation to maintenance and production funds	-	-	246,118	-	-	(246,118)	-	-	-
Utilisation of maintenance and production funds	-	-	(198,941)	-	-	198,941	-	-	-
Acquisition of non-controlling interests without a change in control	-	-	-	(22,228)	-	-	(22,228)	19,228	(3,000)
Distribution to non-controlling interests	-	-	-	-	-	-	-	(22,041)	(22,041)
At 31 December 2022	295,671	8,235,037	2,302,402	218,074	(413,832)	8,526,261	19,163,613	271,264	19,434,877

The notes on pages 113 to 248 form parts of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Operating activities			
Profit before taxation		1,297,955	4,004,183
Adjustments for:			
Depreciation	9(c)	1,280,257	1,273,684
Amortisation of intangible assets	9(c)	203,721	151,823
Amortisation of deferred income	7	(11,803)	(13,949)
Impairment losses on property, plant and equipment (Reversal of impairment)/impairment losses on trade receivables, net	8	136,550	172,074
Impairment losses on other receivables, net		(6,131)	44,393
Impairment losses on inventories	9(c)	24,345	36,453
Finance costs	9(a)	7,625	10,121
Share of results of associates		163,444	231,734
Interest income	7	2,634	(37,637)
Net loss/(gain) from disposal of property, plant and equipment	7	(20,260)	(35,157)
Net loss/(gain) from disposal of property, plant and equipment	8	8,780	(15,407)
Loss on fair value changes of financial assets at FVTPL	8	2,712	1,992
Loss on fair value changes of derivative component of convertible bonds	8	–	242,667
Waiver of interest expenses	7	–	(54,800)
Net foreign exchange loss	8	5,286	4,864
		3,095,115	6,017,038
Changes in working capital:			
Increase in inventories		(475,993)	(484,022)
Decrease/(increase) in trade and bills receivables		531,710	(14,225)
Increase in prepayments and other receivables		(105,160)	(392,783)
Increase in restricted bank deposits		(194,565)	(8,137)
Decrease/(increase) in other long-term assets		256,160	(62,675)
Increase in trade payables		654,742	132,434
Decrease in other payables and accrued expenses		(99,334)	(224,360)
Decrease in defined benefit obligations		(4,800)	(4,150)
Increase in deferred income		70,922	34,209
Decrease in long-term payables		(34,516)	(989)
Cash generated from operations		3,694,281	4,992,340
Interest paid		(116,401)	(395,030)
Income tax paid		(919,446)	(1,044,238)
Net cash generated from operating activities		2,658,434	3,553,072

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2022

Notes	2022 RMB'000	2021 RMB'000
Investing activities		
Interest received	20,260	35,157
Payment for purchase of property, plant and equipment	(1,924,589)	(1,462,904)
Payment for purchase of intangible assets	(482,964)	(452,114)
Deposit paid for purchase of property, plant and equipment	(308,661)	(240,037)
Acquisition of interest in an associate	(200,000)	–
Payment for purchase of land lease prepayments (included in right-of-use assets)	(82,336)	(105,214)
Proceeds from disposals of property, plant and equipment	30,961	86,416
Dividend received from associates	–	41,512
Net cash used in investing activities	(2,947,329)	(2,097,184)
Financing activities		
Proceeds from new loans and borrowings	3,611,603	1,410,750
Repayment of loans and borrowings	(2,524,659)	(1,875,658)
Dividends paid to non-controlling interests	(22,041)	(22,650)
Repayment of lease liabilities	(14,177)	(17,739)
Acquisition of non-controlling interests without a change in control	(3,000)	(11,411)
Redemption of convertible bonds	–	(487,152)
Repayment of long-term bonds	–	(436,000)
Net cash generated from/(used in) financing activities	1,047,726	(1,439,860)
Net increase in cash and cash equivalents	758,831	16,028
Cash and cash equivalents at 1 January	1,423,171	1,401,233
Effect of foreign exchange rate changes	(57,640)	5,910
Cash and cash equivalents at 31 December, representing bank balances and cash	2,124,362	1,423,171

Significant non-cash transaction:

During the year ended 31 December 2022, deposits paid for purchase of property, plant and equipment amounting to RMB106,406,000 (2021: RMB225,385,000) was transferred to property, plant and equipment upon completion of installation of relevant assets.

The notes on pages 113 to 248 form parts of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. GENERAL INFORMATION

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

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

The Company is an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 39 and 19, respectively.

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by International Accounting Standard Board (“IASB”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

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 IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1	Non-current Liabilities with Covenants ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or 1 January 2024.

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

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the Group's interests in existing subsidiaries

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

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

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

Business combinations or asset acquisitions

Optional concentration test

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations or asset acquisitions (Continued)

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the “Conceptual Framework for Financial Reporting” issued by IASB in March 2018 (the “Conceptual Framework”) except for transactions and events within the scope of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or IFRIC 21 “Levies”, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 “Income Taxes” and IAS 19 “Employee Benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard.
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

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

Goodwill

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (Continued)

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

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

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

Revenue from contracts with customers

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

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

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

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

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

(i) Sales of goods

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

(ii) Services rendered

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

Leases

Definition of a lease

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

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

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

Leasehold land and building

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

Refundable rental deposits

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

Lease liabilities

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

The lease payments include:

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

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

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

Government grants

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

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

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

(ii) Defined benefit retirement plan obligations

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

(ii) Defined benefit retirement plan obligations (Continued)

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

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

Equity-settled share-based payment transactions

(i) Share options granted to employees

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

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

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

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

Property, plant and equipment

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

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of IAS 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Bank balances and cash

Bank balances and cash comprise cash on hand and demand, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash, and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

Inventories

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories (Continued)

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

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

Provisions

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

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

Contingent liabilities

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

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

Financial instruments

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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

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

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

A financial asset is held for trading if:

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

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

- (i) Amortised cost and interest income

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income (Continued)

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

(ii) Financial assets at FVTPL

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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

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

(i) Significant increase in credit risk

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL (Continued)

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

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

Derecognition of financial assets

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Financial liabilities at FVTPL

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

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9/IAS 39 permits the entire combined contract to be designated as at FVTPL.

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

Financial guarantees issued

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

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible bonds

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

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

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

Derecognition of financial liabilities

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derivative financial instruments

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

Embedded derivatives

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) The entity, or any member of the group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment reporting

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(i) Impairments

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(i) Impairments (Continued)

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

As at 31 December 2022, the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets are RMB16,963,357,000, RMB2,326,174,000 and RMB1,569,445,000, respectively (2021: RMB15,963,349,000, RMB2,340,463,000 and RMB1,295,554,000, respectively). During the year ended 31 December 2022, no impairment loss (2021: nil) has been recognised in respect of those property, plant and equipment, right-of-use assets and intangible assets of certain subsidiaries located in the Shandong Province, Shanxi Province and Northeastern China based on the impairment assessments performed in respect of the subsidiaries as cash generating units.

In addition, based on the review of the Group's production assets conducted by the management of the Group, certain assets of subsidiaries located in the Shandong Province were idle and/or obsolete and that it is expected that these assets will not generate future benefit to the Group. Accordingly, impairment loss of RMB136,550,000 (2021: RMB172,074,000) has been recognised in respect of those assets in the current year.

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

– **Goodwill**

Determining whether goodwill allocated to subsidiaries located in the Shandong Province and the Northeast China is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less cost of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit. In determining the value in use, expected cash flows generated by the cash-generating unit are discounted to their present values, which require significant judgement relating to items such as the discount rates, growth rates and the projected sales volume, selling price, direct costs, gross margin and other related expenses. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, or upward revision of discount rate, a material impairment loss or a further impairment loss may arise. As at 31 December 2022, the carrying amount of goodwill is RMB90,132,000 (2021: RMB90,132,000), which is net of accumulated impairment loss of RMB2,337,674,000 (2021: RMB2,337,674,000). Details of the recoverable amount calculation are disclosed in note 17.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(i) Impairments (Continued)

– Inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market condition. The Group will reassess the estimations at each statement of financial position date. As at 31 December 2022, carrying amount of inventories is RMB3,230,312,000 (2021: RMB2,761,944,000).

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

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and bill receivables and other receivables are disclosed in note 33(b)(i).

As at 31 December 2022, the carrying amounts of trade and bills receivables and other receivables for which the management has performed assessment of loss allowance for ECL are RMB1,763,731,000 and RMB886,727,000 respectively (2021: RMB2,289,310,000 and RMB716,586,000, respectively).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(ii) Taxation

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

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

As at 31 December 2022, deferred tax assets of RMB317,403,000 (2021: RMB214,911,000) have been recognised in the consolidated statement of financial position as disclosed in note 30. As the deferred tax assets cannot be recognised until the unused tax losses and temporary difference is probable for deduction against future taxable profits, the Group estimates the expected realisation of future taxable profits. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially the uncertainty on how the COVID-19 pandemic and volatility in the energy market may progress and evolve. The Group reviews the judgment continuously and recognises additional deferred tax assets if taxable profits are probable to be generated. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

(iii) Fair value measurement of financial instruments

As at 31 December 2022, the Group's investments in unquoted equity investments amounting to RMB12,126,000 (2021: RMB15,005,000) as disclosed in notes 18, are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 33(c) for further disclosures.

(iv) Actuarially determined benefit obligations

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

6. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Sales of cement	17,161,832	20,137,864
Sales of clinker	2,337,728	2,381,060
Sales of concrete	1,403,513	1,509,257
Sales of other products	585,886	631,363
	21,488,959	24,659,544

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

(b) Segment reporting

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

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

(i) Segment results, assets and liabilities

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

- Segment assets include all tangible and intangible non-current assets and current assets, with the exception of interests in associates, deferred tax assets and other corporate assets. Segment liabilities include trade payables, other payables and accrued expenses, certain bank loans and other borrowings managed directly by the segments and lease liabilities.
- Revenue and expenses are allocated to the operating segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.
- Segment results represent profits earned by each segment without allocation of head office administrative expenses, share of results of associates, waiver of interest expenses, loss on fair value changes of financial assets at FVTPL, loss on fair value changes of derivative component of convertible bonds, directors' remuneration, auditor's remuneration and finance costs in relation to the unallocated bank loans, other borrowings, long-term bonds and convertible bonds. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.
- In addition to receiving segment information concerning adjusted profit before taxation, the CODM is provided with segment information concerning revenue, interest income from bank balances, interest expenses on borrowings managed directly by the segments, depreciation and amortisation, impairment losses on and additions to non-current segment assets used by the segments in their operations and impairment losses on trade and bills receivables and other receivables. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 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
Disaggregated by timing of revenue										
Point in time	13,639,585	4,777,300	2,600,864	459,932	21,477,681	15,895,110	5,241,928	2,906,342	601,338	24,644,718
Over time	5,881	1,726	3,671	-	11,278	5,375	7,627	1,265	559	14,826
Revenue from external customers	13,645,466	4,779,026	2,604,535	459,932	21,488,959	15,900,485	5,249,555	2,907,607	601,897	24,659,544
Inter-segment revenue (note)	1,149,830	172,141	13,455	-	1,335,426	1,201,413	38,967	86,437	-	1,326,817
Reportable segment revenue	14,795,296	4,951,167	2,617,990	459,932	22,824,385	17,101,898	5,288,522	2,994,044	601,897	25,986,361
Reportable segment profit (adjusted profit before taxation)	1,393,511	39,833	279,110	111,214	1,823,668	3,395,764	733,108	457,168	209,215	4,795,255
Included in arriving at segment results are:										
Interest income	9,248	1,326	266	12	10,852	12,121	22,422	603	11	35,157
Interest expense	43,709	5,406	1,108	129	50,352	27,502	8,893	6,766	-	43,161
Depreciation and amortisation for the year	679,783	412,060	326,965	58,103	1,476,911	726,724	360,626	284,414	53,743	1,425,507
Impairment losses on property, plant and equipment	118,610	17,940	-	-	136,550	168,834	451	2,789	-	172,074
(Reversal of impairment)/impairment losses on trade receivables, net	(4,253)	(1,615)	(264)	1	(6,131)	67,874	(4,026)	4	(5,774)	58,078
(Reversal of impairment)/impairment losses on other receivables, net	(8,422)	28,730	2,274	25	22,607	(52,124)	7,592	8,380	(15)	(36,167)
Government grant	85,877	66,593	46,717	1,960	201,147	135,435	99,080	46,140	1,167	281,822
Additions to property, plant and equipment, right-of-use assets and intangible assets during the year	1,848,736	605,938	433,177	19,645	2,907,496	1,422,353	490,932	313,010	24,547	2,250,842
Reportable segment assets	15,940,368	8,746,040	5,469,902	1,021,911	31,178,221	14,564,111	8,156,963	5,122,441	941,528	28,785,043
Reportable segment liabilities	4,380,021	2,847,042	940,334	230,216	8,397,613	5,790,671	1,380,918	154,335	57,971	7,383,895

Note: The inter-segment sales were carried out with reference to market prices.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue		
Reportable segment revenue	22,824,385	25,986,361
Elimination of inter-segment revenue	(1,335,426)	(1,326,817)
Consolidated revenue	21,488,959	24,659,544
Profit		
Reportable segment profit	1,823,668	4,795,255
Elimination of inter-segment profit	(226,382)	(251,947)
Reportable segment profit derived from Group's external customers	1,597,286	4,543,308
Share of results of associates	(2,634)	37,637
Loss on fair value changes of financial assets at FVTPL	(2,712)	(1,992)
Loss on fair value changes of derivative component of convertible bonds	–	(242,667)
Waiver of interest expenses	–	54,800
Unallocated finance costs	(113,092)	(188,573)
Unallocated head office administrative expenses	(180,893)	(198,330)
Consolidated profit before taxation	1,297,955	4,004,183

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

	2022 RMB'000	2021 RMB'000
Assets		
Reportable segment assets	31,178,221	28,785,043
Elimination of inter-segment profit	(33,710)	(36,914)
Elimination of inter-segment receivables	(765,351)	(676,833)
	30,379,160	28,071,296
Deferred tax assets	317,403	214,911
Interests in associates	514,029	316,660
Unallocated head office assets	246,682	360,820
Consolidated total assets	31,457,274	28,963,687
Liabilities		
Reportable segment liabilities	8,397,613	7,383,895
Elimination of inter-segment payables	(765,351)	(676,833)
	7,632,262	6,707,062
Deferred tax liabilities	49,203	64,383
Unallocated bank loans	3,615,603	2,527,750
Unallocated other borrowings	–	909
Unallocated head office liabilities	725,329	909,701
Consolidated total liabilities	12,022,397	10,209,805

(iii) Geographical information

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

(iv) Information about major customers

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

7. OTHER INCOME

	Notes	2022 RMB'000	2021 RMB'000
Interest income		20,260	35,157
Government grants	(i)	202,196	283,140
Amortisation of deferred income	28	11,803	13,949
Reversal of other payable	26(a)(i)	30,678	–
Waiver of interest expenses	(ii)	–	54,800
Others		50,658	77,080
		315,595	464,126

Note:

- (i) Government grants mainly represented tax refunds, operating subsidies and energy reduction incentives from local governments received by the Group during the year. There were no special conditions that were needed to be fulfilled for receiving such government grants.
- (ii) In previous years, Shandong Shanshui Cement Group Company Limited (“Shandong Shanshui”), a wholly-owned subsidiary of the Company, issued short-term financing bills and medium-term notes for financing purpose. The Group negotiated with holders of the short-term financing bills and medium-term notes to restructure the repayment terms. Under the restructuring plans, the holders of the short-term financing bills and medium-term notes (mainly PRC banks and financial institutions) had agreed to waive portion of the interest and penalty interest accrued on the principal amounts of the short-term financing bills and medium-term notes up to the date of the restructuring plan on the condition that the Group repays the outstanding liabilities according to the revised repayment schedule. The outstanding short-term financing bills and medium-term notes were fully repaid by the Group during the year ended 31 December 2021.

As at 31 December 2021, there were no default in repayment of short-term financing bills and medium-term notes and accordingly, portion of interest related to short-term financing bills and medium-term notes amounting to RMB54,800,000 had been waived and recognised as other income in profit or loss during the year ended 31 December 2021 (2022: nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

8. OTHER NET EXPENSES

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Net foreign exchange loss		(5,286)	(4,864)
Net (loss)/gain from disposal of property, plant and equipment		(8,780)	15,407
Loss on fair value changes of derivative component of convertible bonds	(i)	–	(242,667)
Impairment losses on property, plant and equipment	14	(136,550)	(172,074)
Penalties		(624)	(2,264)
Donations		(30,768)	(18,300)
Recovery of bad debt previously written off		2,526	2,626
Loss on fair value changes of financial assets at FVTPL		(2,712)	(1,992)
Others		6,719	(9,939)
		(175,475)	(434,067)

Note

- (i) During the year ended 31 December 2021, the Company redeemed and fully paid the outstanding principal amount plus the accrued interest in accordance with the terms of convertible bonds upon the maturity of the convertible bonds issued by the Company in previous years. The Company recognised a loss on fair value changes of derivative component of convertible bonds of RMB242,667,000 during the year ended 31 December 2021 (2022:nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

9. PROFIT BEFORE TAXATION

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

(a) Finance costs

	Notes	2022 RMB'000	2021 RMB'000
Interest on bank loans		115,964	124,787
Interest on lease liabilities		2,895	3,127
Interest on other borrowings and long-term bonds		–	17,246
Effective interest expense on convertible bonds		–	43,532
Less: capitalised interest expenses	(i)	(100)	(900)
Net interest expenses		118,759	187,792
Bank charges		24,304	33,271
Unwinding of discount	(ii)	20,381	10,671
		163,444	231,734

Notes:

- (i) The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation related to construction of plant was 4.35% per annum for the year ended 31 December 2022 (2021: 4.9%).
- (ii) This item represents the unwinding of discount for the following liabilities using the effective interest rate:

	Note	2022 RMB'000	2021 RMB'000
Defined benefit obligations	27(c)	2,840	3,460
Long-term payables		17,541	7,211
		20,381	10,671

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

9. PROFIT BEFORE TAXATION (CONTINUED)

(b) Personnel expenses (including directors' remunerations)

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
Salaries, wages and other benefits		1,678,381	1,614,812
Bonus and awards		215,036	298,056
Staff's pension costs		299,849	271,458
Expense recognised in respect of defined benefit obligations	27(c)	3,240	3,930
		2,196,506	2,188,256

(c) Other items

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Amortisation of intangible assets	16	203,721	151,823
Depreciation of property, plant and equipment	14	1,173,325	1,200,089
Depreciation of right-of-use assets	15	106,932	73,595
		1,483,978	1,425,507
Auditors' remuneration			
– audit and assurance services		5,800	6,150
– other services		900	900
		6,700	7,050
Cost of inventories sold		17,251,484	17,389,874
Impairment losses on inventories (included in cost of sales)		7,625	10,121

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
The charge comprises:		
PRC Enterprise Income Tax ("EIT"):		
Current tax	529,993	1,107,356
(Over)/under provision in respect of prior years	(21,497)	9,872
Withholding tax on distributed profits	150,000	50,000
	658,496	1,167,228
Deferred tax (note 30(a))	(117,672)	(57,892)
	540,824	1,109,336

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

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

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

	Notes	2022 RMB'000	2021 RMB'000
Profit before taxation		1,297,955	4,004,183
Tax at the domestic income tax rate of 25% (2021: 25%)	(i)	324,489	1,001,046
Tax rate differential in foreign jurisdictions	(ii)	35,885	17,899
Tax effect of expenses not deductible for tax purpose		69,169	89,308
Tax effect of income not taxable for tax purpose		(37,160)	(15,917)
Tax effect of tax losses not recognised		61,093	40,497
Tax effect of unrecognised prior year's tax losses utilised during the year		(10,485)	(55,501)
Tax effect of deductible temporary differences not recognised		63,930	58,565
Tax effect of unrecognised prior year's deductible temporary differences utilised during the year		(81,072)	(49,586)
Effect of tax credit	(iii)	(14,187)	(27,438)
Withholding tax on distributed profits of subsidiaries operating in the PRC		150,000	50,000
(Over)/under provision in respect of prior year		(21,497)	9,872
Tax effect of share of results of associates		659	(9,409)
Income tax expense		540,824	1,109,336
Effective tax rate		41.7%	27.7%

Notes:

- (i) The Group's PRC subsidiaries are subject to PRC EIT at the statutory rate of 25% (2021: 25%) unless otherwise specified.
- Certain subsidiaries which are recognised as High and New-tech Enterprises have been granted tax concessions by the local tax bureau and are entitled to PRC EIT at concessionary rate of 15% for both years.
- (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.
- The Company and its subsidiaries incorporated in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (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 for both years.
- (iii) Tax credit represents income tax credit for purchase of certain energy saving equipment pursuant to the applicable PRC tax laws and regulations received by certain group companies during the year. These group companies are entitled to an income tax credit of 10% of the purchase price of the qualifying energy saving equipment purchased.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

11. DIRECTORS' REMUNERATION

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

	Directors' fees <i>RMB'000</i>	Salaries, allowances and other benefits <i>RMB'000</i>	Contributions to defined contribution retirement plans <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2022				
Chairman, Executive director				
LI Huibao (<i>note(i)</i>)	–	3,852	–	3,852
Executive director				
WU Ling-ling	–	2,511	–	2,511
HOU Jianguo (<i>note(iii)</i>)	–	–	–	–
Independent Non-Executive Directors				
CHANG Ming-cheng	–	1,256	–	1,256
LI Jianwei	–	826	–	826
HSU you-yuan	–	826	–	826
Total	–	9,271	–	9,271

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

11. DIRECTORS' REMUNERATION (CONTINUED)

	Directors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Contributions to defined contribution retirement plans RMB'000	Total RMB'000
For the year ended 31 December 2021				
Chairman, Executive director				
LI Huibao (note(i))	–	–	–	–
CHANG Zhangli (note(ii))	–	–	–	–
Executive director				
WU Ling-ling	–	2,424	–	2,424
HOU Jianguo (note(iii))	–	–	–	–
Independent Non-Executive Directors				
CHANG Ming-cheng	–	1,212	–	1,212
LI Jianwei	–	797	–	797
HSU you-yuan	–	797	–	797
Total	–	5,230	–	5,230

Notes:

- (i) Mr. LI Huibao was appointed as an executive director and the chairman of the Company with effect from 15 December 2021.
- (ii) Mr. CHANG Zhangli resigned as an executive director and the chairman of the Company with effect from 15 December 2021.
- (iii) Mr. HOU Jianguo was appointed as an executive director of the Company with effect from 29 May 2021.

The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group for the year. The Independent Non-Executive Directors' emoluments shown above were for their services as directors of the Company for the year.

There was no arrangement under which a director or the Chairman waived or agreed to waive any remuneration during the year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with the highest emoluments included two directors (2021: one director). Besides, Mr. LI Huibao who was an employee before the appointment as a director of the Company and his emoluments before appointment as director are included in the disclosures below, the emoluments of the directors are disclosed in note 11. The emoluments of the remaining three individuals (2021: three individuals and Mr. LI Huibao) in the capacity as an employee during the year ended 31 December 2022 are as follows:

	2022 RMB'000	2021 <i>RMB'000</i>
Salaries, allowances and other benefits	6,063	9,462
Contributions to defined contribution retirement plans	104	248
	6,167	9,710

The emoluments of the remaining three individuals with the highest remuneration (2021: three individuals and Mr. LI Huibao) is within the following bands:

	2022 Number of individuals	2021 Number of individuals
HK\$2,000,001 to HK\$2,500,000	2	2
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$3,500,001 to HK\$4,000,000	–	1
	3	4

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

13. EARNINGS PER SHARE

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

	2022	2021
	RMB'000	RMB'000
<u>Earnings figures are calculated as follows:</u>		
Profit for the year attributable to equity shareholders of the Company and earnings for the purposes of basic and diluted earnings per share	748,702	2,777,298
<u>Number of shares:</u>		
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 2015 because exercise prices of these share options were higher than the average market price of the shares for the years ended 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

14. PROPERTY, PLANT AND EQUIPMENT

	Plants and buildings <i>RMB'000</i>	Equipment <i>RMB'000</i>	Motor vehicles and others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total fixed assets <i>RMB'000</i>
Cost:					
At 1 January 2021	13,850,659	14,809,865	613,887	567,804	29,842,215
Additions	69,895	198,183	72,419	1,348,523	1,689,020
Transfers	347,124	776,236	10,827	(1,134,187)	-
Disposals	(43,212)	(313,305)	(93,773)	-	(450,290)
At 31 December 2021	14,224,466	15,470,979	603,360	782,140	31,080,945
Additions	15,866	123,285	43,242	2,167,231	2,349,624
Transfers	761,390	1,121,341	14,788	(1,897,519)	-
Disposals	(49,263)	(175,102)	(54,191)	(6,151)	(284,707)
At 31 December 2022	14,952,459	16,540,503	607,199	1,045,701	33,145,862
Accumulated depreciation, amortisation and impairment:					
At 1 January 2021	(3,429,686)	(10,416,385)	(244,972)	(33,671)	(14,124,714)
Charge for the year	(340,931)	(817,789)	(41,369)	-	(1,200,089)
Impairment losses for the year	(9,396)	(162,148)	(19)	(511)	(172,074)
Written back on disposals	22,009	276,676	80,596	-	379,281
At 31 December 2021	(3,758,004)	(11,119,646)	(205,764)	(34,182)	(15,117,596)
Charge for the year	(338,725)	(816,138)	(18,462)	-	(1,173,325)
Impairment losses for the year	(29,438)	(73,302)	(33,511)	(299)	(136,550)
Written back on disposals	44,886	149,497	46,928	3,655	244,966
At 31 December 2022	(4,081,281)	(11,859,589)	(210,809)	(30,826)	(16,182,505)
Net book value:					
At 31 December 2022	10,871,178	4,680,914	396,390	1,014,875	16,963,357
At 31 December 2021	10,466,462	4,351,333	397,596	747,958	15,963,349

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) All plants and buildings and land are located in the PRC.
- (b) Construction in progress (“CIP”) mainly relates to technical improvement projects of cement and clinker production lines.
- (c) As at 31 December 2022, the ownership certificates for certain plants and buildings with aggregate carrying amount of RMB1,069,993,000 (2021: RMB618,797,000) have not been obtained. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the properties and therefore the aforesaid matter did not have any significant impact on the Group’s financial position as at 31 December 2022 and 2021.
- (d) As at the date of approval of the consolidated financial statements, the Group is in the process of obtaining construction permits for certain clinker and cement production lines. The carrying amounts of the plants and buildings and equipments transferred from construction in progress in respect of these clinker and cement production lines as at 31 December 2022 were RMB867,619,000 and RMB539,203,000 respectively (2021: RMB859,353,000 and RMB546,741,000 respectively).
- (e) Certain plants and buildings with an aggregate amount of RMB8,123,000 (2021: RMB8,356,000) for the year ended 31 December 2022 are pledged to secure bank loans (see note 24) granted to the Group.
- (f) For the years ended 31 December 2022 and 2021, the management performed impairment assessments on property, plant and equipment, right-of-use assets, intangible assets and goodwill of certain subsidiaries located in the Shandong Province, Shanxi Province and Northeastern China which the management of the Group considered there was indication for impairment due to the deterioration of economic conditions for the cement industry in recent years. The management assessed the recoverable amounts of these assets by assessing the recoverable amounts of the cash-generating units (“CGUs”), represented by the respective subsidiaries, to which they belong with reference to the value in use calculations of the CGUs. The value in use calculations use cash flow projections based on the financial budgets approved by the management covering a one-year period with suitable growth rates for the following four years. The cash flows beyond the five-year period are extrapolated using suitable growth rates.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (f) The details of the CGUs, growth rates, discount rates and terminal growth rates used for value in use calculations for both years are shown as follow:

Segment	Number of subsidiaries		Average growth rate in five years*		Discount rate		Terminal growth rate	
	2022	2021	2022	2021	2022	2021	2022	2021
			(%)		(%)		(%)	
Shandong Province								
– Shandong Shanshui Heavy Industries Co., Ltd. (“Shanshui Heavy Industries”)	1	1	7	20	16.95	16.82	2.0	2.0
– Dezhou Zhucheng Cement Co., Ltd. (“Dezhou Zhucheng”)	1	1	8	9	12.16	13.43	–	–
– Other subsidiaries	6	2	3-12	3-9	12.16	13.43	–	–
Northeastern China								
– Chifeng Yuanhang Cement Co., Ltd. (“Chifeng Yuanhang”)	1	1	8	2	12.86	13.00	–	–
– Wulanhaote Shanshui Cement Co., Ltd. (“Wulanhaote”)	1	1	5	2	12.86	13.00	–	–
– Other subsidiaries	8	8	1-15	1-16	12.86	13.00	–	–
Shanxi Province	7	6	7-15	5-13	13.10	13.09	–	–

* The growth rate is based on the industry growth rate forecast.

Other key assumptions for the value in use calculations include such estimation in the projected sales volume, selling prices, direct costs, gross margin and other related expenses for each of the related CGUs used in the cash flow forecasts based on the unit’s historical performance, unit’s projected production plan and management’s expectations for the market development of each of the CGUs.

The management believed that any reasonable possible change in the key assumptions on which the recoverable amounts are based would not cause the carrying amounts of the property, plant and equipment to exceed the aggregate of their recoverable amounts. Based on the cash flow projections and financial budgets approved by the management in respect of the impairment assessments for the financial year ended 31 December 2022 and 2021, the value in use calculated by the discounted cash flow analysis is higher than the carrying amount for the CGUs, and accordingly, no impairment loss of property, plant and equipment was recognised for the year ended 31 December 2022 (2021: nil).

In addition to the impairment assessments performed on the CGUs described above, the Group also conducted a review of the Group’s production assets and identified certain assets owned by certain subsidiaries located in the Shandong Province were idle and/or obsolete and that it is expected that these assets will not generate future benefit to the Group. Accordingly, impairment loss of RMB136,550,000 (2021: RMB172,074,000) has been recognised in respect of those assets to fully write down their carrying amounts to nil.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

15. RIGHT-OF-USE ASSETS

	Plants and buildings <i>RMB'000</i>	Land lease prepayment <i>RMB'000</i>	Total <i>RMB'000</i>
Carrying amount:			
At 1 January 2021	16,109	2,288,241	2,304,350
Additions	4,494	105,214	109,708
Depreciation charge	(3,070)	(70,525)	(73,595)
At 31 December 2021	17,533	2,322,930	2,340,463
Additions	6,116	86,527	92,643
Depreciation charge	(8,357)	(98,575)	(106,932)
At 31 December 2022	15,292	2,310,882	2,326,174
		2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Expense relating to short-term leases		8,823	13,262
Total cash outflow for leases		23,000	31,001

- (a) For both years, the Group leases various plants and buildings and land lease prepayment for its operations. Lease contracts for plants and buildings are entered into for fixed terms of 2 to 30 years. Lease contracts for land lease prepayment are entered into for fixed term of 25 to 70 years. Lease terms for all lease contracts are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.
- (b) The Group's right-of-use assets with underlying assets of land lease prepayments for leasehold land are amortised for periods ranging from between 25 years and 70 years based on the lease term (2021: 25 years and 70 years).
- (c) As at 31 December 2022, application for the registration of land use rights in relation to right-of-use assets with underlying assets of land lease prepayments with cost of approximately RMB145,482,000 (2021: RMB116,408,000) was still in progress. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the properties and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

16. INTANGIBLE ASSETS

	Limestone mining rights RMB'000	Customer relationships RMB'000	Trademarks RMB'000	Software and others RMB'000	Total RMB'000
Cost:					
At 1 January 20221	1,891,224	48,181	92,522	106,653	2,138,580
Additions	238,656	–	–	213,458	452,114
Disposals	(73,442)	–	–	(138)	(73,580)
At 31 December 2021	2,056,438	48,181	92,522	319,973	2,517,114
Additions	459,885	–	–	23,079	482,964
Disposals	(56,127)	–	–	(103)	(56,230)
At 31 December 2022	2,460,196	48,181	92,522	342,949	2,943,848
Accumulated amortisation and impairment:					
At 1 January 2021	(956,685)	(48,181)	(70,292)	(67,428)	(1,142,586)
Amortisation for the year	(114,491)	–	–	(37,332)	(151,823)
Written back in disposals	72,730	–	–	119	72,849
At 31 December 2021	(998,446)	(48,181)	(70,292)	(104,641)	(1,221,560)
Amortisation for the year	(180,372)	–	–	(23,349)	(203,721)
Written back in disposals	50,797	–	–	81	50,878
At 31 December 2022	(1,128,021)	(48,181)	(70,292)	(127,909)	(1,374,403)
Net book value:					
At 31 December 2022	1,332,175	–	22,230	215,040	1,569,445
At 31 December 2021	1,057,992	–	22,230	215,332	1,295,554

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

16. INTANGIBLE ASSETS (CONTINUED)

- (a) The limestone mines owned by subsidiaries of the Company are located in Shandong, Liaoning, Shanxi, Xinjiang and Inner Mongolia regions/provinces. The limestone mining rights which are granted from the respective land resources bureaus are valid for periods ranging from 3 years to 50 years (2021: ranging from 3 years to 50 years). The limestone mining rights will expire in 2023 to 2039. Certain limestone mining rights for limestone mines located in the Shanxi Province that expired in the current year are renewed and will expire in 2023.
- (b) As at 31 December 2022, the ownership certificates for certain limestone mining rights with a carrying amount of RMB98,568,000 (net of accumulated amortisation of RMB13,276,000) (2021: RMB71,706,000 (net of accumulated amortisation of RMB16,110,000)) have not been obtained. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the properties and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2022 and 2021.
- (c) Included in the carrying amount of trademarks represent the “遠航” brand acquired through acquisition of Chifeng Yuanhang in previous years. The “遠航” brand has a remaining legal life of 11 years (2021: 2 years) but is renewable every 10 years at minimal cost. The directors of the Company are of the opinion that the “遠航” brand is having good reputation in the local area and hence the Group would renew the trademark continuously and has the ability to do so. As a result, the “遠航” brand is considered by the management of the Group as having an indefinite useful life and will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. The carrying amount of “遠航” brand as at 31 December 2022 is RMB22,230,000 (2021: RMB22,230,000).

For the year ended 31 December 2022 and 2021, the management assessed the recoverable amount of Chifeng Yuanhang which the trademark forms part of the CGU with reference to its value in use calculation. In addition to the trademark, property, plant and equipment, other intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related trademark are also included in the CGU for the purpose of impairment assessment. Based on the cash flow projections and financial budgets approved by the management in 2022 and 2021, the value in use calculated by the discounted cash flow analysis is higher than the company amounts for Chifeng Yuanhang and accordingly the management determined that there was no impairment on the trademark's CGU for the year ended 31 December 2022 (2021: nil). Particulars of the value in use calculation in relation to Chifeng Yuanhang are disclosed as per note 14(f).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

17. GOODWILL

	<i>RMB'000</i>
Cost:	
At 1 January 2021, 31 December 2021 and 31 December 2022	2,427,806
Impairment losses:	
At 1 January 2021, 31 December 2021 and 31 December 2022	2,337,674
Net book value:	
At 31 December 2022	90,132
At 31 December 2021	90,132

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

17. GOODWILL (CONTINUED)

Impairment tests for cash-generating units containing goodwill

As set out in IAS 36, cash generating units are the smallest identifiable groups of assets that generate cash inflows from continuing use that are largely independent of the cash flows from other assets. For the purpose of impairment testing of goodwill, goodwill is allocated to groups of CGUs (being subsidiaries acquired in each acquisition), which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The carrying amount of goodwill is allocated to 3 individual CGUs, comprising 3 subsidiaries namely Shanshui Heavy Industries (amounting to RMB75,908,000 (2021: RMB75,908,000)), Wulanhaote (amounting to RMB12,639,000 (2021: RMB12,639,000)) and Dezhou Zhucheng (amounting to RMB1,585,000 (2021: RMB1,585,000)). The goodwill recognised is not expected to be deductible for income tax purpose. In addition to goodwill, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment.

For the purpose of impairment assessment for the year ended 31 December 2022 and 2021, the recoverable amounts of the individual CGUs as at the end of the reporting period were estimated with reference to value in use calculations determined by the management of the Group for Wulanhaote and Dezhou Zhucheng or with the assistance of GW Financial Advisory Service Limited for Shanshui Heavy Industries, an independent firm of qualified professional valuer not connected with the Group using cash flow projections based on the financial budgets of 2022 and 2021 of the respective CGUs approved by the management. Particulars of the value in use calculations are disclosed as per note 14(f).

During the year ended 31 December 2022 and 2021, the recoverable amounts of the CGUs of which carrying amounts of goodwill is allocated are higher than the carrying amounts of the respective CGUs and accordingly, the management determined that there is no impairment on these CGUs for the year ended 31 December 2022 and 2021.

The Group recognised accumulated impairment loss on goodwill amounting to approximately RMB2,337,674,000 as at 31 December 2022 (2021: RMB2,337,674,000).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

18. OTHER FINANCIAL ASSETS

	Notes	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Financial assets at FVTPL			
– Equity securities listed in the PRC	(a)	6,082	5,915
– Unquoted equity investments in PRC non-listed companies	(b)	12,126	15,005
Loan due from a third party	(c)	–	–
		18,208	20,920

Notes:

(a) Equity investments in securities listed in the PRC represent the Group's investments in equity shares listed on the Shanghai Stock Exchange and held by the Group as long term investment. The investments are valued with reference to the trading price of the securities at the end of the reporting period.

(b) Unquoted equity investments in PRC non-listed companies are held by the Group as long term investment. Included in the unquoted equity investments held by the Group as at 31 December 2022 mainly represented the 0.38% equity interest in Bank of Chaoyang with carrying amount of RMB7,749,000 (2021: RMB10,628,000). The fair value loss on the unquoted equity investments of RMB2,879,000 was recognised in profit or loss during the year ended 31 December 2022 (2021: RMB2,159,000).

Included in unquoted equity instruments in PRC non-listed companies is the investment in 100% equity interest in Jinan Changqing Shanshui Micro Finance Co., Ltd. ("Shanshui Micro Finance"), a PRC non-listed entity which was a former subsidiary of the Group before 2016.

Shanshui Micro Finance was under the management of the ex-directors of the Company. Since 2016, the Group can neither access any accounting books and records of Shanshui Micro Finance nor find the current place of business for Shanshui Micro Finance. The directors of the Company are of the opinion that the Group does not have the ability to direct the relevant activities which significantly affect Shanshui Micro Finance's returns and hence the Group lost control of Shanshui Micro Finance. Accordingly, the Group recorded the investments as available-for-sale securities under IAS 39 and has made full impairment provision for the carrying amount of these investments as at 31 December 2016. The Group recorded such investment as financial assets at FVTPL since 2018.

During the years ended 31 December 2022 and 2021, the directors of the Company continued to be unable to have the ability to direct relevant activities which significantly affect the above former subsidiary's returns but the Group was able to obtain access to the financial information and books and records of Shanshui Micro Finance as at respective reporting period end. Based on the management assessment, the fair value of Shanshui Micro Finance are assessed to be nil as at 31 December 2022 (2021: nil). Accordingly, no change in fair value on investments in Shanshui Micro Finance was recognised during the year ended 31 December 2022 and 2021.

(c) Loan due from a third party represents loan due from a minority shareholder of a subsidiary of the Company which held 30% equity interest in Bohai Cement (Huludao) Co., Ltd. ("Bohai Cement"). During the year ended 31 December 2021, the amount has been overdue and the management of the Group considered the probability of default had significantly increased. Accordingly, the amount was fully impaired and impairment loss of RMB21,710,000 was recognised in the profit or loss (included in impairment losses on other receivables, net) for the year ended 31 December 2021.

During the year ended 31 December 2022, the amount remained unsettled. Accordingly, the allowance for expected credit loss recognised in the previous year was not reversed.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

19. INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Cost	847,850	647,850
Less: share of post-acquisition profit and other comprehensive income, net of dividends received	(5,442)	(2,811)
Less: impairment losses	(328,379)	(328,379)
Share of net assets	514,029	316,660

Details of the Group's major associates as at 31 December 2022 and 2021 are as follows:

Name of associate	Place and date of incorporation and principal place of business	Principal activities	Registered capital	Paid-in capital	Proportion of ownership interest			
					2022		2021	
					Direct	Indirect	Direct	Indirect
Dong'e Shanshui Dongchang Cement Co., Ltd. ("Dong'e Shanshui") (note (a))	Shandong, PRC 1 March 2010	Production and sales of cement, clinker and related products	RMB100,000,000	RMB100,000,000	-	51%	-	51%
Dalian Cement Group Co., Ltd. ("Dashui Group")	Liaoning, PRC 11 June 1992	Production and sales of cement and related products	RMB888,980,000	RMB888,980,000	-	22.04%	-	22.04%
Qilu Property Co., Ltd. ("Qilu Property") (note (b))	Shandong, PRC 16 May 1994	Development of property	RMB83,529,200	RMB83,529,200	-	30%	-	30%

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

19. INTERESTS IN ASSOCIATES (CONTINUED)

Name of associate	Place and date of incorporation and principal place of business	Principal activities	Registered capital	Paid-in capital	Proportion of ownership interest			
					2022		2021	
					Direct	Indirect	Direct	Indirect
Zibo Lianhe Cement Enterprise Management Co., Ltd. ("Lianhe Cement") (note (c))	Shandong, PRC 27 February 2017	Provide cement management services including cement corporate marketing planning and business management consulting	RMB520,000	RMB520,000	-	38.27%	-	38.27%
Zibo Banyang Limestone Enterprise Management Co., Ltd. ("Banyang Limestone") (note (d))	Shandong, PRC 23 December 2016	Provide corporate management service, general freight, sales of limestone and investment advisory services	RMB10,000,000	RMB4,900,000	-	6.93%	-	6.93%
Liaoning Yunding Cement Group Co., Ltd. ("Yunding Cement") (note (e))	Liaoning, PRC 21 August 2017	Sales and production of cement and provide business information consulting services	RMB32,170,000	RMB32,170,000	-	43.73%	-	43.73%
Xingan Mengjixing Cement Management Co., Ltd. ("Mengjixing Cement") (note (f))	Inner Mongolia, PRC 4 January 2017	Sales and production of cement and provide business information consulting services	RMB2,653,100	RMB1,300,000	-	24.39%	-	24.39%
Yulin Zhongxin Cement Enterprise Management Co., Ltd. ("Zhongxin Cement") (note (g))	Shaanxi, PRC 23 July 2018	Provide cement management service, business information consulting services and sales of cement clinker, limestone and other products	RMB9,200,000	RMB3,750,000	-	36.09%	-	36.09%
Shandong Yihe Junling Ecological Technology Industrial Park Co., Ltd. ("Yihe Junling") (note (h))	Shandong, PRC 26 April 2022	Construction and management of industrial production plant	RMB800,000,000	RMB400,000,000	-	49.5%	N/A	N/A

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

19. INTERESTS IN ASSOCIATES (CONTINUED)

Notes:

- (a) According to the articles of association of Dong'e Shanshui, the resolutions in relation to material financial and operating decisions have to be passed by more than half of directors. As the Group only has rights to appoint two out of five directors of Dong'e Shanshui, the directors of the Company are of the opinion that the Group has significant influence in Dong'e Shanshui but does not have control over Dong'e Shanshui although the Company owns more than half of equity interests in Dong'e Shanshui.
- (b) Shandong Shanshui acquired 30% interest in Qilu Property with total consideration of RMB146,878,000 settled during the period from July to September 2015. Since the directors were unable to access to any books and records of the associate, the Group fully impaired the carrying amount of the investment in Qilu Property of RMB146,878,000 as at 31 December 2015. During the years ended 31 December 2016 and 2017, the directors continued to be unable to access any books and records of the associate.

The directors have been able to access to books and records of the associate since 2018. Based on the assessment by the management of the Group, the recoverable amounts of the interest in the associate was nil and accordingly, the impairment provided in previous years was not reversed.

- (c) In January 2020, a shareholder sharing 20% equity interest of Lianhe Cement, cancelled its capital commitment of RMB13,000,000 in Lianhe Cement. The registered capital in Lianhe Cement then decreased from RMB65,000,000 to RMB52,000,000. There is no other change in the shareholding afterward, as a result, the Group's effective equity interest in Lianhe Cement increased from 30.61% to 38.27%. The excess of the Group's share of fair value of Lianhe Cement's identifiable assets and liabilities over the cost of the investment amounted to RMB7,661,000 was included in share of results of associates during the year ended 31 December 2020.

In June 2020, all shareholders of Lianhe Cement resolved to reduce 99% of share capital through a shareholders meeting held on 9 June 2020. This is a unanimous decision in view of the shrinking business and the increasing challenges under COVID-19 pandemic. The registered share capital and paid-in capital then decreased from RMB52,000,000 to RMB520,000. The proceeds from this capital reduction of RMB19,800,000 was received on 10 June 2020. The effective equity interest in Lianhe Cement held by the Group remains at 38.27% afterward.

- (d) During the year ended 31 December 2017, the Company's 99% owned subsidiary, Zibo Shanshui Cement Co., Ltd contributed cash of RMB700,000 for the establishment of Banyang Limestone with seven independent third parties. The directors of the Company is in the opinion that the Group has significant influence in Banyang Limestone even though the Company owns less than 20% of equity interest in Banyang Limestone as each investor appoints 1 director out of 9 directors in Banyang Limestone and the resolution of the board requires 50% vote. The Group has 6.93% effective equity interest in Banyang Limestone as at 31 December 2022 and 2021.
- (e) During the year ended 31 December 2017, the Company's wholly owned subsidiary, Liaoning Shanshui Gongyuan Cement Co., Ltd. contributed cash of RMB13,950,000 for the establishment of Yunding Cement for 39.64% equity interest with four independent third parties. During the year ended 31 December 2018, after one of the shareholders has withdrawn the shares from Yunding Cement, the Group's equity interest in Yunding Cement was increased to 43.73%, and there is no change in the effective equity interest as at 31 December 2022 and 2021.
- (f) During the year ended 31 December 2017, certain non-wholly owned subsidiaries of the Company contributed cash of RMB700,000 in total for the establishment of Mengjixing Cement for 26.38% equity interest with three independent third parties. The Group in aggregate has 24.39% effective equity interest in Mengjixing Cement, and there is no change in the effective equity interest as at 31 December 2022 and 2021.
- (g) During the year ended 31 December 2018, certain non-wholly owned subsidiaries of the Company contributed cash of RMB4,500,000 in total for the establishment of Zhongxin Cement for 48.91% equity interest with four independent third parties. The Group in aggregate has 36.09% effective equity interest in Zhongxin Cement, and there is no change in the effective equity interest as at 31 December 2022 and 2021.
- (h) During the year ended 31 December 2022, certain non-wholly owned subsidiaries of the Company contributed cash of RMB200,000,000 in total for the establishment of Yihe Junling for 50.00% equity interest with an independent third party. The Group in aggregate has 49.50% effective equity interest in Yihe Junling as at 31 December 2022.

Pursuant to Articles of Association of Yihe Junling, the Group has the right to appoint one out of the three directors in the board of directors, which is responsible for relevant activities of Yihe Junling. Accordingly, the directors of the Company consider that the Group has significant influence in Yihe Junling during the year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

19. INTERESTS IN ASSOCIATES (CONTINUED)

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of Dong'e Shanshui are listed below:

Dong'e Shanshui

	2022 RMB'000	2021 <i>RMB'000</i>
Current assets	164,098	139,336
Non-current assets	175,180	185,595
Current liabilities	(30,158)	(32,437)
Non-current liabilities	(740)	(740)

	2022 RMB'000	2021 <i>RMB'000</i>
Revenue	293,702	319,079
Profit and total comprehensive income for the year	16,626	30,308

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2022 RMB'000	2021 <i>RMB'000</i>
Net assets of Dong'e Shanshui	308,380	291,754
Proportion of the Group's ownership interest in Dong'e Shanshui	51%	51%
Carrying amount of the Group's interest in Dong'e Shanshui	157,274	148,795
Dividend received from Dong'e Shanshui	–	(40,800)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

19. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of Yihe Junling are listed below:

Yihe Junling

	2022 RMB'000
Current assets	74,410
Non-current assets	479,570
Current liabilities	(140,854)
Non-current liabilities	–

	2022 RMB'000
Revenue	107,512
Profit and total comprehensive income for the year	13,126

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2022 RMB'000
Net asset of Yihe Junling	413,126
Proportion of the Group's ownership interest in Yihe Junling	50%
Carrying amount of the Group's interest in Yihe Junling	206,563

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

19. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material are listed below:

	2022 RMB'000	2021 <i>RMB'000</i>
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	150,192	167,865
Aggregate amounts of the Group's share of those associates' losses and total comprehensive expense for the year	(17,676)	23,358

Unrecognised share of loss of associates that are not individually material:

	2022 RMB'000	2021 <i>RMB'000</i>
Unrecognised share of loss of associates for the year	(5,274)	(10,252)
Cumulative unrecognised share of loss of associates	(70,159)	(64,885)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

20. INVENTORIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Raw materials	936,320	1,140,170
Semi-finished goods	1,048,193	594,349
Finished goods	700,372	480,479
Spare parts	545,427	546,946
	3,230,312	2,761,944

21. TRADE AND BILLS RECEIVABLES

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bills receivables		387,133	989,586
Trade receivables		1,634,983	1,592,930
Less: allowance for credit losses	33(b)(i)	(258,385)	(293,206)
		1,763,731	2,289,310

(a) Ageing analysis

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	649,160	1,136,843
3 to 6 months	286,605	422,846
6 to 12 months	228,950	270,244
Over 12 months	599,016	459,377
	1,763,731	2,289,310

All of the trade and bills receivables (net of allowance for credit losses) are expected to be recovered within one year from the end of reporting period. The detailed credit policy and details of impairment assessment of trade and bills receivables are set out in note 33(b)(i).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

22. PREPAYMENTS AND OTHER RECEIVABLES AND OTHER LONG-TERM ASSETS

(a) Prepayments and other receivables (current assets)

	Notes	2022 RMB'000	2021 RMB'000
Deposits	(i)	43,902	43,958
Prepayments for raw materials		241,583	231,651
Prepayments for utilities		79,767	85,168
VAT recoverable		436,355	289,304
Amounts due from related parties	37(b)	93,678	126,703
Amounts due from third parties	(ii)	394,451	423,590
Others		145,602	82,776
		1,435,338	1,283,150

As at 31 December 2022, the gross carrying amount of other receivables of the Group exposed to credit risks has been net off with loss allowance amounted to RMB600,410,000 (2021: RMB576,065,000). Details of impairment assessment of the other receivables exposed to credit risk are set out in note 33(b)(i).

Notes:

- (i) Included in deposits as at 31 December 2022 mainly are deposits paid for bidding and fulfilling the agreements of RMB33,127,000 (2021: RMB26,568,000). The deposits are expected to be utilised within 12 months after the end of the reporting period and are therefore classified as current assets.
- (ii) Included in amounts due from third parties are amounts due from the former shareholders of certain subsidiaries of the Group of RMB34,022,000 (2021: RMB43,404,000).

(b) Other long-term assets

Other long-term assets mainly represented prepayment for purchase of property, plant and equipment, right-of-use assets with underlying assets of land lease prepayment and intangible assets of RMB200,817,000, RMB106,374,000 and RMB1,470,000, respectively (2021: RMB295,333,000, RMB73,350,000 and RMB83,687,000, respectively) and deposit for environmental restoration of RMB545,922,000 (2021: RMB467,540,000).

These balances are not expected to be recovered within one year from the end of reporting period, and accordingly, are classified as non-current.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

23. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

Restricted bank deposits as at 31 December 2022 include RMB210,100,000 (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 RMB13,373,000 (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 purchases contracts. Further details of this litigation are set out in note 26. During the year ended 31 December 2022, frozen bank deposits amounting to RMB573,000 have been released as the litigation has been resolved.

The restricted bank deposits carry fixed interest rates ranged from 0.25% to 2.60% (2021: 0.3% to 2.75%) per annum. The effective interest rate on bank balances ranged from 0.01% to 1.89% (2021: 0.01% to 1.75%) per annum as at 31 December 2022.

For the year ended 31 December 2022, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided. Details of impairment assessment of restricted bank deposits for the year ended 31 December 2022 are set out in note 33(b)(i).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

24. BANK LOANS AND OTHER BORROWINGS

	Notes	2022 RMB'000	2021 RMB'000
Bank loans – Secured	(i)	505,603	103,750
Bank loans – Unsecured		3,110,000	2,424,000
Loan from government – Unsecured	(ii)	–	909
		3,615,603	2,528,659

Notes:

- (i) These bank loans were secured by certain plants and buildings with an aggregate carrying amount of RMB8,123,000 (2021: RMB8,356,000) (see note 14) and bank deposits of RMB 210,100,000 (2021: nil).
- (ii) The government loan was received by Liaoning Shanshui Gongyuan Cement Co., Ltd. for constructing an environmental friendly production line. The loan is unsecured, bears interest at one-year PRC deposit interest rate plus 0.3% (2021: one-year PRC deposit interest rate plus 0.3%) and is repayable in equal instalments from 2012 to 2022. The loan was fully repaid during the current year.

As at 31 December 2022 and 2021, there is no default in bank loans repayment.

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

	2022 RMB'000	2021 RMB'000
Within one year	2,780,603	2,393,659
After one year but within two years	835,000	135,000
	3,615,603	2,528,659

All bank loans are interest-bearing and detail of interest rates are disclosed as per note 33(b)(iii).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

25. TRADE PAYABLES

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2022 RMB'000	2021 <i>RMB'000</i>
Within 3 months	3,049,803	2,241,310
3 to 6 months	622,319	433,319
6 to 12 months	425,822	367,260
Over 12 months	613,062	695,746
	4,711,006	3,737,635

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

As at 31 December 2022, certain suppliers and third parties have initiated lawsuits against the Group to demand immediate settlement of trade payables with carrying amount of RMB40,498,000 (2021: RMB10,293,000) plus interest for late payment, if any.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

26. OTHER PAYABLES AND ACCRUED EXPENSES, CONTRACT LIABILITIES AND LONG TERM PAYABLES

(a) Other payables and accrued expenses

		31 December 2022	31 December 2021
	Notes	RMB'000	RMB'000
Accrued payroll and welfare		387,681	410,633
Taxes payable other than income tax payable		163,837	108,469
Staff compensation and termination provisions	27(b)	143,721	143,896
Amounts due to related parties	37(b)	899,744	835,697
Payable to former shareholders of acquired subsidiaries		67,512	77,358
Acquisition consideration payable	(i)	27,437	59,820
Accrued expenses and other payables	(ii)	601,649	647,622
		2,291,581	2,283,495

Notes:

- (i) As at 31 December 2021, included in the balance is a payable for the acquisition of Liaocheng Meijing Zhongyuan Cement Co. Ltd. ("Liaocheng Meijing") amounted to RMB30,678,000. The previous shareholders of Liaocheng Meijing have sued the Group to settle the unpaid acquisition consideration payable, plus interests for late payment. During the year ended 31 December 2022, Shandong Higher People's Court ruled against the previous shareholders of Liaocheng Meijing, pronounced that the validity of the collection for the aforementioned consideration is negative. The court closed the case and as a result, the Group reversed the aforementioned payable to nil.
- (ii) The amount mainly represents payables for acquisition of property, plant and equipment of RMB45,862,000 (2021: RMB53,356,000), payable for mine management of RMB123,946,000 (2021: RMB123,946,000), contract guarantee deposits from suppliers of RMB116,356,000 (2021: RMB123,286,000), payables for equipment maintenance of RMB126,588,000 (2021: RMB96,994,000) and interest payables of RMB747,000 (2021: RMB1,184,000).

As at 31 December 2022, certain suppliers and third parties have lawsuits against the Group to demand immediate settlement of other payables with carrying amount of RMB16,463,000 (2021: RMB43,620,000) plus interest for late payment, if any.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

26. OTHER PAYABLES AND ACCRUED EXPENSES, CONTRACT LIABILITIES AND LONG TERM PAYABLES (CONTINUED)

(b) Contract liabilities

	31 December 2022 RMB'000	31 December 2021 RMB'000
Contract liabilities		
Sales of cement	421,049	460,319
Sales of clinker	64,590	31,004
Sales of concrete	8,991	11,808
Sales of other products	24,702	24,796
	519,332	527,927

The Group typically received full payment from certain customers for sales of cement, clinker, concrete and other products before the customers obtain the control of the cement products which give rise to contract liabilities at the start of a contract, until the revenue recognised upon the pass of controls. All contract liabilities are expected to be recognised as income within one year.

As at 1 January 2021, contract liabilities amounted to RMB732,802,000. The contract liabilities as at 1 January 2022 and 2021 were fully recognised as revenue during the year ended 31 December 2022 and 2021, respectively.

(c) Long term payables

Long term payables mainly represented payables for reclamation cost for environmental restoration and constructions in amount of RMB241,095,000 (2021: RMB228,898,000). An unwinding discount of RMB17,541,000 was incurred from the long term payables for reclamation cost for environmental restoration and constructions, which was charged to profit or loss as a finance cost, and a payment for reclamation cost of RMB5,344,000 was made during the year ended 31 December 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

27. EMPLOYEE BENEFITS

(a) Defined contribution retirement plans

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial government authorities for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 20% to 24% of the salaries, wages and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. Where there are employees who leave the plans prior to vesting fully in the contributions, in accordance with the rules of the plans, the forfeited employers' contributions shall not be used to reduce the future contributions of the employers. At 31 December 2022, there was no forfeited contribution which is available to reduce the contributions payable in future years (2021: nil).

The Group has no other material obligation for the payment of pension benefits associated with these plans and other post-retirement beyond the annual contributions described above.

(b) Staff compensation and termination provision

	Note	2022 RMB'000	2021 RMB'000
Staff compensation and termination provision	26(a)	143,721	143,896

Note: Pursuant to relevant agreements with related local governments entered into when Shandong Shanshui changed from being a state-owned enterprise to being a privately-owned enterprise, certain employees of certain subsidiaries of the Group are entitled to receive compensation and termination pay relating to their past employment prior to the change in status. Such amounts are required to be paid to the employees as soon as they cease to be employed by the Group. These amounts are included in other payables and accrued expenses in the consolidated statement of financial position (see note 26).

(c) Defined benefit obligations

The liabilities recognised in the consolidated statement of financial position represent:

	2022 RMB'000	2021 RMB'000
Present value of the defined benefit obligations	100,830	107,730

The balance represents the provision for the post-employment benefits according to the non-cancellable staff relocation plans agreed in respect of Shandong Shanshui, Weifang Shanshui, Qianshan Cement (excluding the compensation stated in note 26(a)) and Liaoning Shanshui. The Group's obligations in respect of the defined benefit obligations at the end of the reporting period were reviewed by Willis Towers Watson, a qualified independent actuary and a member of the Society of Actuaries and China Association of Actuaries, using the projected unit credit actuarial cost method.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

27. EMPLOYEE BENEFITS (CONTINUED)

(c) Defined benefit obligations (Continued)

(i) Movements in the defined benefit obligations are set out as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 January	107,730	111,460
Remeasurements	(2,100)	420
Payments	(8,040)	(8,080)
Current service cost	400	470
Interest expense	2,840	3,460
At 31 December	100,830	107,730

(ii) Expenses recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expense (recognised as finance cost)	2,840	3,460
Current service cost (recognised as administrative expenses)	400	470
Total amounts recognised in profit for the year	3,240	3,930
Actuarial (gain)/loss recognised in other comprehensive income for the year	(2,100)	420
Total defined benefit costs	1,140	4,350

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

27. EMPLOYEE BENEFITS (CONTINUED)

(c) Defined benefit obligations (Continued)

- (iii) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2022	2021
Discount rate	2.75%	2.75%
Annual growth rate of cost of living	3.00%-10.00%	3.00%-10.00%
Social average salary increase rate	10.00%	10.00%
Average expected remaining working life of eligible employees	6.0 years	6.4 years

The below analysis shows how the defined benefit obligation as at 31 December 2022 and 2021 would have (increased)/decreased as a result of 0.5% change in the significant actuarial assumptions:

Discount rate	2022 RMB'000	2021 RMB'000
Effect on defined benefit obligation		
– Increase in 0.5%	(4,460)	(4,860)
– Decrease in 0.5%	4,870	5,320

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

28. DEFERRED INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 January	243,104	222,844
Addition during the year	70,922	34,209
Recognised in consolidated statement of profit or loss	(11,803)	(13,949)
At 31 December	302,223	243,104

Deferred income mainly represents the PRC local government grants received from relevant PRC authorities for fixed asset investments, such as cement and clinker plants and residual heat generation plants. The subsidies are recognised in the consolidated statement of profit or loss over the estimated useful lives of the respective property, plant and equipment. There are no unfulfilled conditions and contingencies relating to the grants.

29. LEASE LIABILITIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Lease liabilities payable:		
Within one year	5,935	9,852
Within a period of more than one year but not more than two years	4,436	4,583
Within a period of more than two year but not more than five years	12,259	8,946
Within a period of more than five years	39,270	39,494
	61,900	62,875
Less: portion classified as current liabilities	(5,935)	(9,852)
Non-current liabilities	55,965	53,023

The weighted average incremental borrowing rates applied to lease liabilities range from 3.21% to 4.85% (2021: 4.67% to 4.85%).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

30. DEFERRED TAXATION

(a) Deferred tax assets and liabilities recognised

Movements in deferred tax assets and liabilities for the years ended 31 December 2022 and 2021 are as follows:

	At 1 January 2021 RMB'000	Recognised in profit or loss RMB'000	At 31 December 2021 RMB'000	Recognised in profit or loss RMB'000	At 31 December 2022 RMB'000
Deferred tax assets					
Intra-group unrealised profits	43,082	29,941	73,023	(10,793)	62,230
Depreciation of property, plant and equipment	1,467	(638)	829	(263)	566
Tax loss *	803	(803)	–	75,429	75,429
Impairment losses on property, plant and equipment	26,423	3,330	29,753	58,381	88,134
Deferred income	31,844	431	32,275	1,176	33,451
Accrued bonus for staff	–	151	151	–	151
Long-term payables	55,640	(8,163)	47,477	2,891	50,368
Accrued expenses	14,420	(657)	13,763	(8,094)	5,669
Impairment losses of trade and bills receivables	25,345	22,198	47,543	(1,230)	46,313
Intangible assets	12,566	4,843	17,409	4,805	22,214
	211,590	50,633	262,223	122,302	384,525
Deferred tax liabilities					
Property, plant and equipment	(108,240)	9,683	(98,557)	(4,491)	(103,048)
Intangible assets	(7,206)	(439)	(7,645)	86	(7,559)
Accrued expenses	(3,508)	(1,985)	(5,493)	(225)	(5,718)
	(118,954)	7,259	(111,695)	(4,630)	(116,325)
Total	92,636	57,892	150,528	117,672	268,200

* Deferred tax assets in respect of unused tax losses are related to subsidiaries that were established in recent years. They are now proceeding to their normal production stage and are creating profits. Accordingly, it is considered probable that sufficient taxable profits will be available in the future to utilise their unused tax losses before they expire.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

30. DEFERRED TAXATION (CONTINUED)

(a) Deferred tax assets and liabilities recognised (Continued)

Reconciliation to the consolidated statement of financial position

	2022 RMB'000	2021 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	317,403	214,911
Net deferred tax liabilities recognised in the consolidated statement of financial position	(49,203)	(64,383)
	268,200	150,528

(b) Tax losses and deductible temporary differences not recognised

As at 31 December 2022, the Group has unused tax losses of RMB1,978,315,000 (2021: RMB1,833,120,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB301,716,000 (2021: nil) of such losses. The Group did not recognise deferred tax assets in respect of tax losses of certain PRC subsidiaries of RMB1,676,599,000 (2021: RMB1,833,120,000), as it is not probable that future taxable profits which the losses and deductible temporary differences can be utilised will be available. Included in unrecognised tax losses as at 31 December 2022 are losses of RMB530,875,000, RMB354,338,000, RMB385,028,000, RMB161,988,000 and RMB244,370,000 that will be expired in 2023, 2024, 2025, 2026 and 2027, respectively (2021: RMB382,834,000, RMB546,174,000, RMB354,335,000, RMB385,029,000 RMB164,748,000, that will be expired in 2022, 2023, 2024, 2025 and 2026, respectively). Unrecognised tax losses amounting to RMB358,953,000 (2021: RMB415,688,000) was expired as at 31 December 2022.

As at 31 December 2022, the Group did not recognise deferred tax assets in respect of deductible temporary differences in relation to impairment loss of property plant and equipment of certain PRC subsidiaries of RMB26,636,000 (2021: RMB95,204,000) respectively, as it is not probable that future taxable profits which the losses and deductible temporary differences can be utilised will be available.

(c) Deferred tax liabilities not recognised

Under the prevailing PRC income tax law and its relevant regulations, foreign corporate investors are levied PRC dividend withholding tax at 10%, unless reduced by tax treaties/arrangements, on dividends declared by PRC-resident enterprises for profits earned subsequent to 1 January 2008.

As at 31 December 2022, temporary differences relating to the undistributed profits of the Company's PRC subsidiaries amounted to RMB21,436,091,000 (2021: RMB22,346,973,000). Deferred tax liabilities of RMB2,143,609,000 (2021: RMB2,234,697,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to the written resolutions of the Company's shareholders passed on 14 June 2008, the Company has adopted the share option scheme (the "**Share Option Scheme**") whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, and any customer or supplier or any persons who has contributed or will contribute to the Group, to take up options.

Pursuant to the written resolutions of the Company's board of directors passed on 25 May 2011, the directors of the Company granted certain directors and employees of the Group to take up options to subscribe for 7,400,000 ordinary shares of the Company under the Share Option Scheme. The exercise price of these options is HKD7.90, being the average closing price of the Company's ordinary shares immediately before the grant. These share options were vested immediately after being granted and would be exercisable until 24 May 2021. Of the 7,400,000 options granted by the Company on 25 May 2011, 1,900,000 options were lapsed as at 31 December 2020 in accordance with the terms of the Share Option Scheme. The remaining 5,500,000 options granted by the Company were lapsed upon the expiry of these share options on 24 May 2021.

Pursuant to the written resolutions of the Company's board of directors passed on 27 January 2015, the directors of the Company granted certain directors and employees of the Group to take up options to subscribe for 163,700,000 ordinary shares of the Company under the Share Option Scheme. The exercise price of these options is HKD3.68, being the average closing price of the Company's ordinary shares immediately before the grant. These share options were vested six months after being granted and would be exercisable until 26 January 2025. The 163,700,000 options granted by the Company on 27 January 2015 do not include the 43,600,000 options which were conditionally granted to Mr. Zhang Caikui and Mr. Zhang Bin, the ex-directors of the Company. According to the Listing Rules and the Share Option Scheme of the Company, the options granted to Mr. Zhang Caikui and Mr. Zhang Bin required the approval of the shareholders of the Company at an extraordinary general meeting of the Company. However, up until the date of the approval of these consolidated financial statements, the required extraordinary general meeting has not been held. As all the options granted on 27 January 2015 are subject to certain legal proceedings, the Company has given an undertaking on 6 January 2016 that it will not take any step to implement these options before a court decision is made. For details, please refer to the announcements of the Company dated 27 February 2015, 16 March 2015, 18 March 2015, 27 July 2015 and 29 March 2016. Accordingly, the options which were conditionally granted to Mr. Zhang Caikui and Mr. Zhang Bin have not been granted. Of the 163,700,000 options granted by the Company on 27 January 2015 to certain directors and employees of the Group, 73,300,000 (2021: 71,400,000) options were lapsed as at 31 December 2022 and 2021 in accordance with the terms of the Share Option Scheme.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

The movements of the Company's share options for the years ended 31 December 2022 and 2021 are as follows:

Type of participants	Date of grants	Vesting Condition	Contractual life of options	Exercise price per share	Outstanding at 1.1.2021	Lapsed during the year	Outstanding at 31.12.2021	Lapsed during the year	Outstanding at 31.12.2022
2011 share options									
Employees	25 May 2011	Immediately after the date of grant	10 years	HK\$7.90	5,500,000	(5,500,000)	-	-	-
2015 share options									
Employees	27 January 2015	Six months after the date of grant	10 years	HK\$3.68	110,100,000	(17,800,000)	92,300,000	(1,900,000)	90,400,000
					115,600,000	(23,300,000)	92,300,000	(1,900,000)	90,400,000
Exercisable at the end of the year					115,600,000		92,300,000		90,400,000
Weighted average exercise price (HK\$ per share)					3.88		3.68		3.68

No options were exercised during the years ended 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

32. CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

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

(b) Dividends

A final dividend of no more than RMB0.07 per share for the year ended 31 December 2022 (the **"2022 Final Dividend"**) (2021: RMB0.256 per share) has been proposed by the directors of the Company after the end of the reporting period. The 2022 Final Dividend is subject to the Company's shareholders' approval at the Company's forthcoming annual general meeting and all necessary order and approval from the Grand Court of the Cayman Islands (the **"Grand Court"**) given the outstanding winding-up petition against the Company.

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

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

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

Except as disclosed above, no dividends was paid, declared or proposed to equity shareholders of the Company during both years.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

32. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account of the Company is governed by the Companies Law (Revised) of the Cayman Islands.

(ii) Statutory reserves

Statutory reserves of the Group were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors. The statutory reserve consist of statutory reserve funds and maintenance and production funds.

For the entities concerned, statutory reserves fund can be used to offset accumulated losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance after such conversion is not less than 25% of the registered capital.

According to relevant PRC regulations, the Group is required to transfer an amount to specific reserve for the maintenance and production funds and other related expenditures.

(iii) Other reserves

Other reserves of the Group mainly include:

- (a) the differences of consideration over the net assets of subsidiaries acquired under common control in 2005;
- (b) the differences of consideration over the net assets of non-controlling interests acquired by Shandong Shanshui in 2005;
- (c) the difference between the nominal value of the share capital of the Company and the nominal value of the share capital and share premium of Shanshui Cement Hong Kong on the Share Swap; and
- (d) the difference between the considerations of acquisition or disposal of equity interests from/to non-controlling equity owners and the carrying amount of the proportionate net assets.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

32. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Nature and purpose of reserves (Continued)

(iv) Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(d) Distributability of reserves

Under the Companies Law of the Cayman Islands, the funds in the share premium account net of the accumulated losses account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Any distributions proposed by the directors of the Company is subject to the approval of the Company's shareholders at the annual general meeting and all necessary order and approval from the Grand Court given the outstanding winding-up petition against the Company.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including all bank loans, other borrowings, long-term bonds and convertible bonds as shown in the consolidated statement of financial position) less bank balances and cash. Total capital is calculated as total equity plus net debt.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

32. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management (Continued)

The net gearing ratio of the Group is as follows:

	Notes	2022 RMB'000	2021 RMB'000
Current liabilities:			
Bank loans – amount due within one year	24	2,780,603	2,392,750
Current portion of other borrowings	24	–	909
		2,780,603	2,393,659
Non-current liabilities:			
Bank loans – amount due after one year	24	835,000	135,000
		835,000	135,000
Total debt		3,615,603	2,528,659
Less: Bank balances and cash	23	(2,124,362)	(1,423,171)
Net debt		1,491,241	1,105,488
Total equity		19,434,877	18,753,882
Total capital		20,926,118	19,859,370
Net gearing ratio*		7.1%	5.6%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

* Net gearing ratio = net debt/ (net debt + equity of the Company).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Financial assets		
At FVTPL	18,208	20,920
At amortised cost	5,361,848	4,901,260
	5,380,056	4,922,180
Financial liabilities		
Amortised cost	10,426,394	8,434,804
Lease liabilities	61,900	62,875
	10,488,294	8,497,679

(b) Financial risk management objectives and policies

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(i) Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and bills receivable and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

The Group generally does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In respect of trade and bills receivable for sales of cement, clinker and bubble bricks, individual credit evaluations are only performed when the customers required credit. In respect of trade and bills receivable for sales of pipes and concrete, individual credit evaluations are performed on all customers requiring credit over a certain amount. In order to minimise the credit risk, the management of the Group has delegated a team to be responsible for evaluations and determination of credit limits and credit approvals. These evaluations focus on the customer's construction project size, the customer's payment history take into account information specific to the customer, as well as pertaining to the economic environment in which the customer operates. For sales of pipes and concrete, debtors with balances that are more than six months past due are requested to settle all outstanding balances before any further credit is granted. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risks on bank balances are limited because the counterparties are banks/ financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical location is mainly in the PRC as of 31 December 2022 and 2021. Other than that, the Group does not have any other significant concentration of credit risk.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and bills receivables	Other financial assets
Low Risk	The aging of the exposure at default ("EAD") is less than 60 days. Based on Management's assessment of debtor's typical project and payment processes, aging of EAD of less than 60 days is considered current.	Lifetime ECL– not credit- impaired	12m ECL
Fair Risk	The aging of EAD is less than 1 year. Based on Management's assessment of debtor's typical payment process in the industry, aging of EAD of less than 1 year is considered reasonable.	Lifetime ECL– not credit- impaired	12m ECL
Substandard	The risk of non-payment increases as the time period is longer than normal expected process.	Lifetime ECL– not credit- impaired	Lifetime ECL– not credit- impaired
Doubtful	Indicates the aging of the debtor is within 2 years, the recovery of complete payments may be difficult.	Lifetime ECL– credit- impaired	Lifetime ECL– credit- impaired
Loss	Indicates the aging of the debtor is more than 2 years, the recovery of complete payment becomes unlikely.	Lifetime ECL– credit- impaired	Lifetime ECL– credit- impaired

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

Financial asset with credit risk exposure

Trade and bills receivables

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its business operation. The Group measures loss allowance for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significant different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables as at 31 December 2022 and 2021:

	31 December 2022			31 December 2021		
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
<i>Type 1: Customers which the Group expected that they will pay on time:</i>						
Grade 1 – Low risk	0.01%	494,219	40	0.01%	1,117,418	123
Grade 2 – Fair risk	7.05%	976,243	68,796	7.57%	897,367	67,906
Grade 3 – Substandard	14.98%	179,869	26,939	16.13%	293,337	47,313
		1,650,331	95,775		2,308,122	115,342
<i>Type 2: Credit impaired customer:</i>						
Grade 4 – Doubtful	30.60%	211,138	64,599	32.95%	101,413	33,414
Grade 5 – Loss	36.41%	98,500	35,864	34.47%	43,539	15,008
		309,638	100,463		144,952	48,422
<i>Type 3: Other customers:</i>						
Assessed individually	100%	62,147	62,147	100.00%	129,442	129,442
		2,022,116	258,385		2,582,516	293,206

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

Financial asset with credit risk exposure (Continued)

Trade and bills receivables (Continued)

The estimated loss rates are estimated based on historical observed default rate over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtor is updated.

Movement in the loss allowance account in respect of trade and bills receivables during the year is as follows:

	<i>RMB'000</i>
As at 1 January 2021	303,316
Impairment losses recognised	131,343
Impairment losses reversed	(86,950)
Uncollectible amount written off	(54,503)
At 31 December 2021	293,206
Impairment losses recognised	7,858
Impairment losses reversed	(13,989)
Uncollectible amount written off	(28,690)
At 31 December 2022	258,385

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

Financial asset with credit risk exposure (Continued)

Other receivables

Deposits and amounts due from related parties are measured at amortised cost were considered of low credit risk, and thus the impairment provision recognised during the year was limited to 12m ECL.

For amounts due from third parties and other receivables, the management make periodic individual assessment on the recoverability based on historical settlement records, past experience, quantitative and qualitative information that is reasonable and supportive forward-looking information.

As at 31 December 2022, included in amounts due from third parties are amounts due from the former shareholders of certain subsidiaries of the Group, of aggregate gross carrying amounts of RMB377,107,000 (2021: RMB442,301,000). The former shareholders were in financial difficulties and the management of the Group considers the probability of default is significant in view that these amounts have been overdue for a long period of time. Accordingly, loss allowance of RMB361,673,000 (2021: RMB398,897,000) was provided for these amounts as at 31 December 2022 and 2021.

For the remaining balances of amounts due from third parties and other receivables of aggregate gross carrying amounts of RMB1,110,030,000 (2021: RMB850,082,000), the management of the Group considers the probability of default by assessing the counterparties' financial background and creditability and accordingly, loss allowance of approximately RMB238,737,000 (2021: RMB177,168,000) was provided as at 31 December 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

Financial asset with credit risk exposure (Continued)

Other receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for other receivables as at 31 December 2022 and 2021:

	31 December 2022			31 December 2021		
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
<i>Type 1: Debtors which the Group expected that they will pay on time:</i>						
Grade 1 – Low risk	0.01%	881,008	7	0.01%	694,125	48
Grade 2 – Fair risk	2.27%	458	10	2.45%	3,236	79
Grade 3 – Substandard	22.54%	2,688	606	24.27%	9,033	2,193
		884,154	623		706,394	2,320
<i>Type 2: Credit impaired debtors:</i>						
Grade 4 – Doubtful	36.41%	5,026	1,830	39.21%	9,995	3,919
Grade 5 – Loss	100%	597,957	597,957	100%	575,994	569,826
		602,983	599,787		585,989	573,745
		1,487,137	600,410		1,292,383	576,065

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

Financial asset with credit risk exposure (Continued)

Other receivables (Continued)

Movement in the loss allowance account in respect of other receivables during the year is as follows:

	<i>RMB'000</i>
As at 1 January 2021	539,612
Impairment losses recognised	123,402
Impairment losses reversed	(86,949)
At 31 December 2021	576,065
Impairment losses recognised	50,856
Impairment losses reversed	(26,511)
At 31 December 2022	600,410

(ii) Liquidity risk

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, so that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

Shandong Shanshui and the Company are responsible for the Group's overall cash management and the raising of borrowings in the mainland China or overseas market to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

Notwithstanding the continuous improvement in financial performance during the current and prior years which was evidenced by a profit for the current year of RMB757,131,000 (2021: RMB2,894,847,000) and net cash generated from operating activities for the current year of RMB2,658,434,000 (2021: RMB3,553,072,000), as at 31 December 2022, the Group's current liabilities exceeded its current assets by RMB1,660,865,000 (2021: RMB1,556,659,000). Its total interest-bearing borrowings (including bank loans, other borrowings, long-term bonds and convertible bonds) amounted to RMB3,615,603,000, out of which RMB2,780,603,000 are due within 12 months from the end of reporting period. In addition, there is a winding-up petition against the Company, details of which are disclosed in note 35(b), which is pending resolution.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity, operating performance of the Group and its available sources of financing, and are of the opinion that the cash flow generated from operating activities and certain appropriate financing-activities of the Group will be able to meet the funding needs of operations and repay the outstanding interest bearing borrowings.

As at 31 December 2022, the bank balances and cash of the Group amounted to RMB2,124,362,000 (2021: RMB1,423,171,000). The Group has been actively negotiating with a number of PRC banks and financial institutions for renewal of banking facilities. The Group is also maximising its sales effort, including speeding up sales of its existing inventories, seeking new orders and implementing comprehensive-policies to further improve operating cash flows.

The directors of the Company have carried out a detailed review of the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the loan finance which may impact the operations of the Group during the next twelve-month period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2022					Total RMB'000	Carrying amount RMB'000	
	Contractual undiscounted cash outflow	Within 3 months or on demand RMB'000	More than 3 months but less than 6 months RMB'000	More than 6 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000			More than 5 years RMB'000
Bank loans (note 24)		201,853	1,237,444	1,404,174	886,281	–	3,729,752	3,615,603
Trade payable (note 25)		4,711,006	–	–	–	–	4,711,006	4,711,006
Other payables and accrued expenses (note 26 (a))		1,858,690	–	–	–	–	1,858,690	1,858,690
Long-term payables (note 26 (c))		–	–	–	–	695,517	695,517	241,095
Lease liabilities (note 29)		–	1,874	6,777	28,234	57,868	94,753	61,900
		6,711,549	1,239,318	1,410,951	914,515	753,385	11,089,718	10,488,294

	2021					Total RMB'000	Carrying amount RMB'000	
	Contractual undiscounted cash outflow	Within 3 months or on demand RMB'000	More than 3 months but less than 6 months RMB'000	More than 6 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000			More than 5 years RMB'000
Bank loans (note 24)		–	1,832,638	616,381	154,220	–	2,603,239	2,527,750
Other borrowings (note 24)		909	–	–	–	–	909	909
Trade payable (note 25)		3,737,635	–	–	–	–	3,737,635	3,737,635
Other payables and accrued expenses (note 26 (a))		1,905,087	–	–	–	–	1,905,087	1,905,087
Long-term payables (note 26 (c))		–	–	–	–	710,283	710,283	263,423
Lease liabilities (note 29)		–	6,794	5,698	22,081	62,174	96,747	62,875
		5,643,631	1,839,432	622,079	176,301	772,457	9,053,900	8,497,679

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Interest rate risk

Cash and cash equivalents, pledged bank deposits, bank loans and other borrowings are the major types of the Group's financial instruments subject to interest rate risk.

The Group is exposed to fair value interest rate risk in relation to fixed rate bank loans and other borrowings (see notes 24 for details of these borrowings). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 23 for details) and variable-rate bank loans (see note 24 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of base rate announced by the People's Bank of China or applicable market rates arising from the Group's Renminbi denominated borrowings. The management does not anticipate fluctuation of interest rate to have significant impact to cash and cash equivalents and pledged bank deposits because the interest rates of the bank deposits are not expected to change significantly. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Interest rate risk (Continued)

Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing bank loans and other borrowings at the end of the reporting period.

	2022		2021	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Bank loans	3.85%-4.35%	1,452,000	4.15%-5.08%	330,000
		1,452,000		330,000
Variable rate borrowings:				
Bank loans	4.16%-4.97%	2,163,503	4.30%-5.00%	2,197,750
Other borrowings	-	-	1.80%	909
		2,163,503		2,198,659
Total borrowings		3,615,503		2,528,659
Net fixed rate borrowings as a percentage of total borrowings		40%		13%

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and accumulated profit) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and in respect of the exposure to cash flow interest rate risk arising from variable-rate bank loans of the Group at the end of the reporting period. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant. The impact on the Group's profit after tax (and accumulated profit) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2021.

At 31 December 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and accumulated profit by approximately RMB16,213,000 (2021: RMB16,483,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

(iv) Currency risk

The Group does not have significant currency risk.

The Group did not hedge its foreign currency exposure other than by retaining its foreign currency denominated earnings and receipts to the extent permitted by the State Administration of Foreign Exchange. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(v) Equity price risk

The Group is exposed to equity price changes primarily arising from the investments in equity securities measured at FVTPL (see note 18).

For equity securities measured at FVTPL quoted in the Shanghai Stock Exchange, the investments have been chosen by the management based on its longer term growth potential and is monitored regularly by the management for performance against expectations.

For unquoted equity securities measured at FVTPL, they are susceptible to market price risk arising from uncertainties about future values of those instruments. The management provides the Group with internal investment recommendations. To manage the price risk, the management reviews the performance of the portfolio companies on a semi-annual basis and is in regular contact with the management of the portfolio companies for business and operational matters. Results of these reviews are reported regularly to the board of directors.

At 31 December 2022, it is estimated that an increase/decrease of 50% (2021: 50%) in the relevant stock price of the listed investment with all other variables held constant, would have increased/decreased the Group's profit after tax (and accumulated profit) by RMB2,281,000 (2021: RMB2,218,000) as a result of the change in the stock price of the listed investment.

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax and accumulated profit that would arise assuming that the changes in the stock price had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock price, that none of the Group's financial assets at FVTPL would be considered impaired as a result of the decrease in the relevant stock price, and that all other variables remain constant. The analysis is performed on the same basis for 2021.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments

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

(i) Fair value measurement and valuation process

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

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

(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		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to the fair value
	31/12/2022	31/12/2021				
	RMB'000	RMB'000				
1 Equity securities listed in the PRC classified as financial assets at FVTPL	6,082	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	12,126	15,005	Level 3	Guideline public company method	Discount for lack of marketability: 15% (2021: 15%) Price-to-earnings ("PE") ratio: 5.74 (2021: 7.04)	The higher the discount for lack of marketability, the lower the fair value The higher the PE, the higher the fair value

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (Continued)

(iii) Reconciliation of Level 3 fair value measurements

	Unlisted equity securities RMB'000
At 1 January 2021	17,164
Fair value gain (included in profit or loss)	(2,159)
At 31 December 2021	15,005
Fair value loss (included in profit or loss)	(2,879)
At 31 December 2022	12,126

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

34. CAPITAL COMMITMENTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Capital expenditure in respect of the acquisitions of property, plant and equipment authorised and contracted for but not provided for in the consolidated financial statements	1,457,927	1,061,592

35. CONTINGENT LIABILITIES AND OTHER EVENTS

(a) Litigation contingencies

As at 31 December 2022, several litigation claims had been initiated by the customers against the Group to demand immediate repayment of the outstanding balance in relation to certain cement and other products sales contracts with an aggregate amount of RMB14,382,000 (2021: 23,484,000), which claims have not yet been concluded. No provision for these litigation claims was made in these consolidated financial statements during the year ended 31 December 2022 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

35. CONTINGENT LIABILITIES AND OTHER EVENTS (CONTINUED)

(b) Litigation in the Cayman Islands (Continued)

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

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

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

On 17 December 2020, the Grand Court heard a court summons for directions (“**Summons**”) taken out by Tianrui on 26 August 2020 in connection with the Cayman Petition.

At the hearing of the Summons, Tianrui sought leave to re-amend the Cayman Petition, notably in order to join CNBM and ACC as respondents to the Cayman Petition. CNBM and ACC are currently shareholders of the Company.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

35. CONTINGENT LIABILITIES AND OTHER EVENTS (CONTINUED)

(b) Litigation in the Cayman Islands (Continued)

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

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

On 28 November 2022, the Company applied for a validation order to make payment of the 2021 Dividend as resolved at the annual general meeting of the Company held on 27 May 2022, and a variation of a prior validation order dated 11 October 2018. Tianrui and the Company attended a hearing before the Grand Court on 24 February 2023 in respect of this application. Subsequent to the hearing before the Grand Court on 24 February 2023, the Grand Court thoroughly considered factors such as the equal treatment of the shareholders of the Company, the Listing Rules, and the desire not to complicate the course of any hypothetical winding up. The Grand Court handed down its judgment on the Validation Application and dismissed the Validation Application on 31 March 2023. As a result of the judgment, the final dividend for the year ended 31 December 2021 will not be payable to the shareholders of the Company.

Other than the disclosure of the above, as at 31 December 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 31 December 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 of the Company believe that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Other payables (note 26) RMB'000	Lease liabilities (note 29) RMB'000	Bank loans (note 24) RMB'000	Other borrowings (note 24) RMB'000	Long-term bonds RMB'000	Convertible bonds RMB'000	Total RMB'000
At 1 January 2021	1,058,206	72,993	2,661,749	331,818	436,000	543,263	5,104,029
Proceeds from new bank loans	-	-	1,410,750	-	-	-	1,410,750
Repayment of bank loans	-	-	(1,544,749)	-	-	-	(1,544,749)
Repayment of other borrowings	-	-	-	(330,909)	-	-	(330,909)
Repayment of long-term bonds	-	-	-	-	(436,000)	-	(436,000)
Redemption of convertible bonds	-	-	-	-	-	(487,152)	(487,152)
Repayment of lease liabilities	-	(17,739)	-	-	-	-	(17,739)
Total changes from financing cash flow	-	(17,739)	(133,999)	(330,909)	(436,000)	(487,152)	(1,405,799)
Interest paid classified as operating cash outflow	(298,033)	-	-	-	-	(96,997)	(395,030)
Waiver of interest expenses	(54,800)	-	-	-	-	-	(54,800)
Additions to liabilities	-	4,494	-	-	-	-	4,494
Interest expense	141,133	3,127	-	-	-	43,532	187,792
Exchange differences	(18,401)	-	-	-	-	(2,646)	(21,047)
At 31 December 2021	828,105	62,875	2,527,750	909	-	-	3,419,639

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Other payables (note 26) RMB'000	Lease liabilities (note 29) RMB'000	Bank loans (note 24) RMB'000	Other borrowings (note 24) RMB'000	Long-term bonds RMB'000	Convertible bonds RMB'000	Total RMB'000
At 1 January 2022	828,105	62,875	2,527,750	909	-	-	3,419,639
Proceeds from new bank loans	-	-	3,611,603	-	-	-	3,611,603
Repayment of bank loans	-	-	(2,523,750)	-	-	-	(2,523,750)
Repayment of other borrowings	-	-	-	(909)	-	-	(909)
Repayment of lease liabilities	-	(14,177)	-	-	-	-	(14,177)
Total changes from financing cash flow	-	(14,177)	1,087,853	(909)	-	-	1,072,767
Interest paid classified as operating cash outflow	(116,401)	-	-	-	-	-	(116,401)
Additions to liabilities	-	10,307	-	-	-	-	10,307
Interest expense	115,964	2,895	-	-	-	-	118,859
Exchange difference	69,069	-	-	-	-	-	69,069
At 31 December 2022	896,737	61,900	3,615,603	-	-	-	4,574,240

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

37. RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties

Apart from the transactions and the balances with related parties disclosed elsewhere in these consolidated financial statements, the Group also entered into the following significant transactions with related parties during the year ended 31 December 2022 and 2021:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Sales		
Associates of the Group	10,318	17,667
Fellow subsidiary of a major shareholder of the Company	5,286	298
Subsidiaries of a major shareholder of the Company	12,341	42,819
	27,945	60,784
Purchases		
Fellow subsidiary of a major shareholder of the Company	23,584	23,668
Subsidiaries of a major shareholder of the Company	102,914	125,728
Associate of a major shareholder of the Company	8,326	1,997
	134,824	151,393
Mining service fees		
Fellow subsidiary of a major shareholder of the Company	162	–
Subsidiaries of a major shareholder of the Company	607,966	518,400
	608,128	518,400
Engineering service fee		
Fellow subsidiary of a major shareholder of the Company	6,166	21,484
Subsidiaries of a major shareholder of the Company	520,241	306,370
	526,407	327,854
Management fee		
Associates of the Group	925	6,509
Transportation fee		
Associate of the Group	174,592	168,875

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties

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

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Trade receivables from (note (i)):		
Subsidiaries of a major shareholder of the Company	179	–
Prepayments to (note (i)):		
Fellow subsidiary of a major shareholder of the Company	2,659	4,518
Subsidiaries of a major shareholder of the Company	78,779	115,482
Associate of a major shareholder of the Company	222	3
	81,660	120,003
Other receivables from (note (i)):		
Shareholder of the Company	775	715
Associates of the Group	10,371	4,162
Subsidiaries of a major shareholder of the Company	872	1,823
	12,018	6,700
Trade payable to (note (i)):		
Associates of the Group	58,793	37,054
Fellow subsidiary of a major shareholder of the Company	1,391	2,349
Subsidiaries of a major shareholder of the Company	344,443	139,483
	404,627	178,886

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties (Continued)

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Contract liabilities from (note (i)):		
Associate of the Group	305	26
Fellow subsidiary of a major shareholder of the Company	1,966	12
Subsidiary of a major shareholder of the Company	499	282
Associate of a major shareholder of the company	8	–
	2,778	320
Other payables to:		
Shareholder of the Company (note (ii))	895,990	826,921
Associates of the Group	95	5,757
Subsidiaries of a major shareholder of the Company	3,659	3,019
	899,744	835,697

Notes:

- (i) The amounts are unsecured, interest free and repayable on demand.
- (ii) The amount represented loans from Tianrui Group which are denominated in USD and HKD. As at 31 December 2022, the outstanding loans with total principal of RMB895,990,000 (2021: RMB826,921,000) are unsecured, interest free and repayable on demand.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel remuneration

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

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in note 11, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salary, allowances and other benefits	27,902	29,496
Contributions to defined contribution retirement plans	619	688
	28,521	30,184

The remuneration of directors and senior management is recommended by the Remuneration Committee based on the performance of individuals and market trends and determined by the Board of Directors.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 RMB'000	2021 RMB'000
Non-current assets		
Property, plant and equipment	–	–
Investments in a subsidiary	680,382	680,382
Amounts due from subsidiaries	4,293,537	4,057,867
	4,973,919	4,738,249
Current assets		
Other receivables	625	186
Cash and cash equivalents	513,784	489,817
	514,409	490,003
Current liabilities		
Amount due to a subsidiary	1,348,889	1,261,766
Other payables and accrued expenses	936,786	883,719
	2,285,675	2,145,485
Net current liabilities	(1,771,266)	(1,655,482)
Net assets	3,202,653	3,082,767
Capital and reserves		
Share capital	295,671	295,671
Reserves	2,906,982	2,787,096
Total equity	3,202,653	3,082,767

The Company's statement of financial position was approved and authorised for issue by the board of directors on 15 March 2023.

LI Huibao
Director

WU, Ling-ling
Director

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movements in the Company's reserves

	Share premium <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2021	8,235,037	435,164	(482,625)	(5,000,294)	3,187,282
Total comprehensive expenses for the year	–	–	(83,788)	(316,398)	(400,186)
Lapse of share option scheme	–	(22,129)	–	22,129	–
At 31 December 2021	8,235,037	413,035	(566,413)	(5,294,563)	2,787,096
Total comprehensive income for the year	–	–	246,445	(126,559)	119,886
At 31 December 2022	8,235,037	413,035	(319,968)	(5,421,122)	2,906,982

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

39. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2022	2021	2022	2021	2022	2021	
(a) Enterprises established in Hong Kong									
China Shanshui Cement Group (Hong Kong) Company Limited ("Shanshui Cement Hong Kong") 中國山水水泥集團(香港)有限公司	Hong Kong, PRC 25 January 2005	HKD10,000	100.00	100.00	100.00	100.00	-	-	Investment holding
China Pioneer Cement (Hong Kong) Company Limited 中國先鋒水泥(香港)有限公司	Hong Kong, PRC 25 January 2005	HKD0.01	100.00	100.00	-	-	100.00	100.00	Investment holding
(b) Enterprises established outside the PRC									
Continental Cement Corporation 康達水泥有限公司	British Virgin Islands 30 May 2000	USD100	100.00	100.00	-	-	100.00	100.00	Investment holding
American Shanshui Development INC. 美國山水發展公司	Delaware, U.S.A. 28 June 2012	Paid-in capital USD1,000,000	100.00	100.00	-	-	100.00	100.00	Selling agent of cement product and building materials

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2022	2021	2022	2021	2022	2021	
(c) Wholly foreign-owned enterprises established in the PRC									
Shandong Shanshui Cement Group Ltd. 山東山水水泥集團有限公司	Shandong, PRC 10 August 2001	Registered capital of RMB3,633,000,000 and paid-in capital RMB3,623,028,752	100.00	100.00	-	-	100.00	100.00	Investment holding
Kangda (Shandong) Cement Co., Ltd. 康達(山東)水泥有限公司	Shandong, PRC 6 April 2002	USD39,565,500	100.00	100.00	-	-	100.00	100.00	Production and sales of clinker
Shandong Shanshui Financial Leasing Co., Ltd. 山東山水融資租賃有限公司	Shandong, PRC 18 July 2014	RMB230,000,000	100.00	100.00	-	-	100.00	100.00	Offering financial leasing service
(d) Sino-foreign equity joint venture enterprises established in the PRC									
Pingyin Shanshui Cement Co., Ltd. ("Pingyin Shanshui") 平陰山水水泥有限公司	Shandong, PRC 1 August 2003	RMB178,000,000	98.97	98.97	-	-	99.65	99.65	Production and sales of cement and clinker
Anqiu Shanshui Cement Co., Ltd. 安丘山水水泥有限公司	Shandong, PRC 4 August 2003	RMB226,500,000	99.00	99.00	-	-	99.70	99.70	Production and sales of cement and clinker
Weihai Shanshui Cement Co., Ltd. 威海山水水泥有限公司	Shandong, PRC 25 March 2008	USD24,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement and concrete

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2022	2021	2022	2021	2022	2021	
(d) Sino-foreign equity joint venture enterprises established in the PRC (continued)									
Dandong Shanshui Gongyuan Cement Co., Ltd. 丹東山水工源水泥有限公司	Liaoning, PRC 31 March 2008	USD12,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Qingdao Shanshui Chuangxin Cement Co., Ltd. 青島山水創新水泥有限公司	Shandong, PRC 25 April 2008	USD28,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Shenyang Shanshui Gongyuan Cement Co., Ltd. 瀋陽山水工源水泥有限公司	Liaoning, PRC 9 July 2008	USD16,587,400	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Linqu Shanshui Cement Co., Ltd. 臨朐山水水泥有限公司	Shandong, PRC 18 July 2008	Registered capital of USD25,000,000 and paid-in capital USD24,990,700	100.00	100.00	–	–	100.00	100.00	Production and sales of cement and clinker
Zaozhuang Chuangxin Shanshui Cement Co., Ltd. 棗莊創新山水水泥有限公司	Shandong, PRC 5 September 2008	USD30,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement and clinker
Linqu Shanshui Building Material Aggregate Co., Ltd. 臨朐山水建材骨料有限公司	Shandong, PRC 27 December 2012	USD5,060,000	100.00	100.00	–	–	100.00	100.00	Production and sales of concrete aggregate

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2022	2021	2022	2021	2022	2021	
(e) Domestic companies established in the PRC									
Liaoyang Qianshan Cement Co., Ltd. 遼陽千山水泥有限責任公司	Liaoning, PRC 5 June 1989	Registered capital of RMB100,000,000 and paid in capital RMB34,935,000	73.00	73.00	-	-	73.00	73.00	Production and sales of cement and clinker
Shandong Cement Factory Co., Ltd. 山東水泥廠有限公司	Shandong, PRC 3 April 1990	RMB182,000,000	99.00	99.00	-	-	99.00	99.00	Production and sales of cement and concrete; production of limestone
Guangrao Shanshui Cement Co., Ltd. 廣饒山水水泥有限公司	Shandong, PRC 8 May 1998	RMB18,760,000	70.00	70.00	-	-	70.00	70.00	Production and sales of cement
Liaoning Shanshui 遼寧山水工源水泥有限公司	Liaoning, PRC 13 July 1998	RMB2,000,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement and related products
Feicheng City Mashan Cement Co., Ltd. 肥城山水水泥有限公司	Shandong, PRC 16 June 1999	RMB30,000,000	90.00	90.00	-	-	90.00	90.00	Production and sales of cement

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2022	2021	2022	2021	2022	2021	
(e) Domestic companies established in the PRC (continued)									
Chifeng Yuanhang 赤峰山水遠航水泥有限公司	Inner Mongolia, PRC 5 August 2000	RMB200,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement and related products
Jinan Shi-ji Chuang-xin Cement Co., Ltd. 濟南世紀創新水泥有限公司	Shandong, PRC 17 January 2002	RMB41,460,000	95.18	95.18	-	-	95.18	95.18	Production and sales of cement and related products
Tianjin City Tianhui Cement Co., Ltd. 天津市天輝水泥有限公司	Tianjin, PRC 22 July 2002	RMB16,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement and related products
Changle Shanshui Cement Co., Ltd. 昌樂山水水泥有限公司	Shandong, PRC 30 July 2002	RMB24,700,000	99.00	99.00	-	-	99.00	99.00	Production and sales of cement, clinker and concrete
Yantai Shanshui Cement Co., Ltd. 煙台山水水泥有限公司	Shandong, PRC 22 November 2002	RMB155,500,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2022	2021	2022	2021	2022	2021	
(e) Domestic companies established in the PRC (continued)									
Jinan Shanshui Wuliugang Co., Ltd. 濟南山水物流港有限公司	Shandong, PRC 28 March 2003	RMB10,000,000	99.00	99.00	-	-	99.00	99.00	Logistic service and sales of coal
Binzhou Shanshui Cement Co., Ltd. 濱州山水水泥有限公司	Shandong, PRC 30 July 2003	RMB5,000,000	99.00	99.00	-	-	99.00	99.00	Production and sales of cement
Shandong Shanshui Cement Industrial Design Development Co., Ltd. 山東山水水泥工業設計開發有限公司	Shandong, PRC 1 August 2003	RMB6,000,000	90.00	90.00	-	-	99.00	90.00	Development, manufacture, sales and technical support of cement related equipments
Liaocheng Shanshui Cement Co., Ltd. 聊城山水水泥有限公司	Shandong, PRC 1 August 2003	RMB20,000,000	99.00	99.00	-	-	99.00	99.00	Production and sales of cement and concrete
Gucheng Shanshui Cement Co., Ltd. 故城山水水泥有限公司	Hebei, PRC 4 August 2003	RMB5,000,000	99.00	99.00	-	-	99.00	99.00	Production and sales of cement
Dongying Shanshui Cement Co., Ltd. 東營山水水泥有限公司	Shandong, PRC 4 August 2003	RMB5,000,000	99.00	99.00	-	-	99.00	99.00	Production and sales of cement

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2022	2021	2022	2021	2022	2021	
(e) Domestic companies established in the PRC (continued)									
Zibo Shanshui Cement Co., Ltd. 淄博山水水泥有限公司	Shandong, PRC 5 August 2003	RMB60,000,000	99.00	99.00	–	–	99.00	99.00	Production and sales of cement, clinker and limestone
Liaocheng Meijing Zhongyuan Cement Co., Ltd. 聊城美景中原水泥有限公司	Shandong, PRC 5 August 2003	RMB20,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement and clinker
Weifang Shanshui Cement Co., Ltd. ("Weifang Shanshui") 潍坊山水水泥有限公司	Shandong, PRC 29 December 2003	RMB150,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement, limestone and concrete
Qingdao Shanshui Hengtai Cement Co., Ltd. 青岛山水恒泰水泥有限公司	Shandong, PRC 10 June 2004	RMB200,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement and related products
Zibo Shuangfeng Shanshui Cement Co., Ltd. 淄博雙鳳山水水泥有限公司	Shandong, PRC 1 July 2004	RMB150,000,000	99.93	99.93	–	–	99.93	99.93	Production and sales of cement

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2022	2021	2022	2021	2022	2021	
(e) Domestic companies established in the PRC (continued)									
Zaozhuang Shanshui Cement Co., Ltd. 棗莊山水水泥有限公司	Shandong, PRC 28 July 2004	RMB70,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement and clinker
Jining Shanshui Cement Co., Ltd. 濟寧山水水泥有限公司	Shandong, PRC 21 January 2005	RMB100,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement, clinker,
Juye Shanshui Cement Co., Ltd. 巨野山水水泥有限公司	Shandong, PRC 17 May 2006	RMB10,000,000	99.96	99.96	-	-	100.00	100.00	Production and sales of cement
Yishui Shanshui Cement Co., Ltd. 沂水山水水泥有限公司	Shandong, PRC 28 September 2007	RMB128,700,000	99.38	99.38	-	-	99.38	99.38	Production and sales of clinker and limestone
Kenli Shanshui Cement Co., Ltd. 壘利山水水泥有限公司	Shandong, PRC 21 December 2007	RMB12,000,000	90.00	90.00	-	-	90.00	90.00	Production and sales of cement
Qingdao Huading Building Material Co., Ltd. 青島華鼎建材有限公司	Shandong, PRC 24 January 2008	RMB20,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of concrete
Weifang Ningshi Shanshui Cement Co., Ltd. 濰坊凝石山水水泥有限公司	Shandong, PRC 16 May 2008	RMB20,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement
Yishui Chuangxin Shanshui Cement Co., Ltd. 沂水創新山水水泥有限公司	Shandong, PRC 2 June 2009	RMB10,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2022	2021	2022	2021	2022	2021	
(e) Domestic companies established in the PRC (continued)									
Qingdao Shanshui Jianxin Cement Co., Ltd. 青島山水建新水泥有限公司	Shandong, PRC 18 June 2009	RMB20,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Weifang Binhai Shanshui Cement Co., Ltd. 濰坊濱海山水水泥有限公司	Shandong, PRC 4 August 2009	RMB42,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Tianjin Shanshui Cement Co., Ltd. 天津山水水泥有限公司	Tianjin, PRC 26 August 2009	RMB100,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Shanxian Shanshui Cement Co., Ltd. 單縣山水水泥有限公司	Shandong, PRC 27 August 2009	RMB60,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Caoxian Shanshui Cement Co., Ltd. 曹縣山水水泥有限公司	Shandong, PRC 28 August 2009	RMB22,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Bozhou Shanshui Cement Co., Ltd. 亳州山水水泥有限公司	Anhui, PRC 3 September 2009	RMB40,000,000	100.00	100.00	–	–	100.00	100.00	Establishment of cement production line
Bengbu Shanshui Cement Co., Ltd. 蚌埠山水水泥有限公司	Anhui, PRC 4 September 2009	RMB30,000,000	100.00	100.00	–	–	100.00	100.00	Establishment of cement production line
Weishan Shanshui Cement Co., Ltd. 微山水水泥有限公司	Shandong, PRC 28 September 2009	RMB100,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement and clinker

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2022	2021	2022	2021	2022	2021	
(e) Domestic companies established in the PRC (continued)									
Shanxi Shanshui Cement Co., Ltd. ("Shanxi Shanshui") 山西山水水泥有限公司	Shanxi, PRC 25 December 2009	RMB1,716,500,000	100.00	100.00	-	-	100.00	100.00	Sales of cement and cement related products
Laoling Shanshui Cement Co., Ltd. 樂陵山水水泥有限公司	Shandong, PRC 9 February 2010	RMB30,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement and related products
Qingdao Huading New Building Material Co., Ltd. 青島華鼎建築新材料有限公司	Shandong, PRC 10 February 2010	RMB16,103,200	100.00	100.00	-	-	100.00	100.00	Production and sales of concrete
Dezhou Zhucheng 德州築城商品混凝土有限公司	Shandong, PRC 2 March 2010	RMB10,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of concrete
Weifang Wanda Building Materials Co., Ltd. 濰坊萬達建材有限公司	Shandong, PRC 17 March 2010	RMB10,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of concrete
Kashi Shanshui Cement Co., Ltd. ("Kashi Shanshui") 喀什山水水泥有限公司	Xinjiang, PRC 17 August 2010	RMB500,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement
Dezhou Shanshui Concrete Co., Ltd. ("Dezhou Shanshui") 德州山水混凝土有限公司	Shandong, PRC 31 August 2010	RMB66,100,000	100.00	100.00	-	-	60.00	60.00	Production and sales of concrete
Shenxian Shanshui Cement Co., Ltd. 莘縣山水水泥有限公司	Shandong, PRC 22 October 2010	RMB10,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement and cement related products

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2022	2021	2022	2021	2022	2021	
(e) Domestic companies established in the PRC (continued)									
Shandong Shanshui Building Materials Co., Ltd. 山東山水建築材料有限公司	Shandong, PRC 2 March 2011	RMB300,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of building materials and related products
Huixian City Shanshui Cement Co., Ltd. 輝縣市山水水泥有限公司	Henan, PRC 30 June 2011	RMB100,000,000	100.00	100.00	-	-	100.00	100.00	Establishment of clinker production line
Shandong Runshengyuan Water Co., Ltd. 山東潤生源山泉水有限公司	Shandong, PRC 24 April 2018	RMB5,000,000	90.00	90.00	-	-	90.00	90.00	Production and sales of mineral water
Weifang City Leixin Concrete Co., Ltd. 濰坊市磊鑫混凝土有限公司	Shandong, PRC 16 August 2011	RMB10,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of concrete
Zhoukou Shanshui Pipeline Co., Ltd. 周口山水管道有限公司	Henan, PRC 22 August 2011	RMB30,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement and cement related products
Dongming Shanshui Cement Co., Ltd. 東明山水水泥有限公司	Shandong, PRC 20 March 2012	RMB35,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement
Jiaxiang Shanshui Aggregate Co., Ltd. 嘉祥山水骨料有限公司	Shandong, PRC 10 October 2012	RMB10,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of concrete aggregate
Shandong Shanshui Cement Group International Trading Co., Ltd. 山東山水水泥集團國際貿易有限公司	Shandong, PRC 5 March 2013	RMB10,000,000	100.00	100.00	-	-	100.00	100.00	Import and export of cement, clinker and related products

Notes to the Consolidated Financial Statements (Continued)

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39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2022	2021	2022	2021	2022	2021	
(e) Domestic companies established in the PRC (continued)									
Feicheng Shanshui Concrete Co., Ltd. 肥城山水商砼有限公司	Shandong, PRC 5 September 2013	RMB30,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of concrete
Qingdao Ji'an Concrete Co., Ltd. 青島基安混凝土有限公司	Shandong, PRC 29 January 2010	RMB10,200,000	100.00	100.00	-	-	100.00	100.00	Production and sales of concrete
Heze Fuyu New Building Materials Co., Ltd. 菏澤福余新型建材有限公司	Shandong, PRC 12 March 2013	RMB15,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of concrete
Rushan Shanshui Cement Co., Ltd. 乳山水水泥有限公司	Shandong, PRC 17 November 2005	RMB50,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement and cement related products
Qixia Xinghao Shanshui Cement Co., Ltd. 煙台興昊山水水泥有限公司	Shandong, PRC 10 January 2005	RMB200,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement and clinker related products
Shanshui Heavy Industries 山東山水重工有限公司	Shandong, PRC 12 March 2002	RMB171,000,000	99.99	99.99	-	-	99.99	99.99	Installation of equipment and spare parts of cement machines
Huludao Bohai Railway Co., Ltd. 葫蘆島渤海鐵路股份有限公司	Liaoning, PRC 17 July 1993	RMB52,000,000	62.31	62.31	-	-	89.02	89.02	Development and maintenance of special railway-lines
Shanghe Shanshui Cement Co., Ltd. 商河山水水泥有限公司	Shandong, PRC 14 January 2021	RMB200,000,000	100%	-	-	-	100%	-	Production and sales of cement and clinker related products
Zibo Shanshui Economic and Trade Co., Ltd. 濰博山水經貿有限公司	Shandong, PRC 15 July 2021	RMB10,000,000	99%	-	-	-	100%	-	Production and sales of cement and clinker related products

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39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2022	2021	2022	2021	2022	2021	
(e) Domestic companies established in the PRC (continued)									
Tongliao Shanshui Gongyuan Cement Co., Ltd. 通遼山水工源水泥有限公司	Inner Mongolia, PRC 2 April 2004	RMB25,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Chaoyang Shanshui Dongxin Cement Co., Ltd. 朝陽山水東鑫水泥有限公司	Liaoning, PRC 22 March 2005	RMB200,000,000	80.00	80.00	–	–	80.00	80.00	Production and sales of cement
Bohai Cement (Huludao) Co., Ltd. 渤海水泥(葫蘆島)有限公司	Liaoning, PRC 29 August 2005	RMB100,000,000	70.00	70.00	–	–	70.00	70.00	Production and sales of cement, clinker and related products
Zhalaitai Qi Shanshui Cement Co., Ltd. 紮賚特旗山水水泥有限公司	Inner Mongolia, PRC 17 January 2006	RMB120,000,000	90.00	90.00	–	–	90.00	90.00	Production and sales of cement
Yingkou Shanshui Cement Co., Ltd. 營口山水水泥有限公司	Liaoning, PRC 5 December 2006	RMB30,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Dalian Shanshui Cement Co., Ltd. 大連山水水泥有限公司	Liaoning, PRC 17 August 2007	RMB180,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement, clinker and related products

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2022	2021	2022	2021	2022	2021	
(e) Domestic companies established in the PRC (continued)									
Benxi Shanshui Mining Co., Ltd. 本溪山水礦業有限公司	Liaoning, PRC 18 February 2009	RMB500,000	100.00	100.00	-	-	100.00	100.00	Mining and sales of limestone
Kazuo Congyuanhao Cement Co., Ltd. 喀左義元號水泥有限責任公司	Liaoning, PRC 2 April 2009	RMB110,000,000	80.00	80.00	-	-	100.00	100.00	Production and sales of cement and clinker
Panjin Shanshui Cement Co., Ltd. 盤錦山水水泥有限公司	Liaoning, PRC 1 September 2009	RMB20,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement
Wulanhaote 烏蘭浩特山水水泥有限公司	Inner Mongolia, PRC 13 November 2009	RMB5,000,000	90.00	90.00	-	-	90.00	90.00	Production and sales of cement
Alu Kerqin Qi Shanshui Cement Co., Ltd. 阿魯科爾沁旗山水水泥有限公司	Inner Mongolia, PRC 23 December 2009	RMB76,470,000	85.00	85.00	-	-	85.00	85.00	Production and sales of cement and clinker
Balinyou Qi Shanshui Cement Co., Ltd. 巴林右旗山水水泥有限公司	Inner Mongolia, PRC 19 March 2010	RMB20,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement
Huolin Guole Shanshui Cement Co., Ltd. 霍林郭勒山水水泥有限公司	Inner Mongolia, PRC 19 April 2010	RMB20,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement

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39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2022	2021	2022	2021	2022	2021	
(e) Domestic companies established in the PRC (continued)									
Bohai Cement (Jinzhou) Co., Ltd. 渤海水泥(錦州)有限公司	Liaoning, PRC 5 July 2010	RMB20,000,000	45.50	45.50	–	–	65.00	65.00	Production and sales of cement, concrete and related products
Keyouzhong Qi Shanshui Cement Co., Ltd. 科右中旗山水水泥有限公司	Inner Mongolia, PRC 7 April 2011	RMB30,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Benxi Shanshui Shiye Co., Ltd. 本溪山水實業有限公司	Liaoning, PRC 2 June 2011	Registered capital of RMB20,000,000 and paid in capital RMB 6,000,000	100.00	100.00	–	–	100.00	100.00	Installation and maintenance of equipment and spare parts of cement machines
Baishan Shanshui Cement Co., Ltd. 白山山水水泥有限責任公司	Jilin, PRC 11 November 2011	RMB100,000,000	70.00	70.00	–	–	70.00	70.00	Production and sales of cement and related products
Aohan Qi Shanshui Cement Co., Ltd. 敖漢旗山水水泥有限公司	Inner Mongolia, PRC 4 January 2012	RMB16,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement and related products

Notes to the Consolidated Financial Statements (Continued)

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39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2022	2021	2022	2021	2022	2021	
(e) Domestic companies established in the PRC (continued)									
Dalian Heyuan Investment Management Co., Ltd. 大連合源投資管理有限公司	Liaoning, PRC 8 August 2013	RMB62,230,000	100.00	100.00	–	–	100.00	100.00	Investment and management; consulting; import of goods and technology
Taiyuan Shanshui Cement Co., Ltd. 太原山水水泥有限公司	Shanxi, PRC 27 October 1999	Registered capital of RMB100,000,000 and paid in RMB 60,000,000	60.00	60.00	–	–	60.00	60.00	Production and sales of cement
Jincheng Shanshui Heju Cement Co., Ltd. 晉城山水合聚水泥有限公司	Shanxi, PRC 25 July 2006	RMB240,000,000	90.00	90.00	–	–	90.00	90.00	Production and sales of cement and clinker
Lvliang Yilong Cement Co., Ltd. 呂梁山水水泥有限公司	Shanxi, PRC 16 November 2007	RMB170,000,000	90.00	90.00	–	–	90.00	90.00	Production and sales of cement and clinker
Yulin Shanshui Cement Co., Ltd. 榆林山水水泥有限公司	Shaanxi, PRC 7 August 2008	RMB60,000,000	62.00	62.00	–	–	62.00	62.00	Production and sales of cement and related products

Notes to the Consolidated Financial Statements (Continued)

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39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2022	2021	2022	2021	2022	2021	
(e) Domestic companies established in the PRC (continued)									
Hequ Zhongtianlong Cement Co., Ltd. 河曲縣中天隆水泥有限公司	Shanxi, PRC 31 August 2009	RMB80,000,000	68.00	68.00	–	–	68.00	68.00	Production and sales of cement and clinker
Wuxiang Shanshui Cement Co., Ltd. 武鄉山水水泥有限公司	Shanxi, PRC 4 November 2009	RMB75,490,000	55.00	55.00	–	–	55.00	55.00	Production and sales of cement and clinker
Jincheng Shanshui Cement Co., Ltd. 晉城山水水泥有限公司	Shanxi, PRC 22 January 2010	RMB150,000,000	85.00	85.00	–	–	85.00	85.00	Production and sales of cement and clinker
Yulin Shanshui Environmental Building Materials Co., Ltd. 榆林山水環保建材有限公司	Shaanxi, PRC 18 February 2011	RMB80,400,000	85.00	85.00	–	–	85.00	85.00	Production and sales of cement and related products
Linfen Shanshui Cement Co., Ltd. 臨汾山水水泥有限公司	Shanxi, PRC 13 May 2011	RMB200,000,000	90.00	90.00	–	–	90.00	90.00	Establishment of cement production line
Shuozhou Shanshui New Era Cement Co., Ltd. 朔州山水新時代水泥有限公司	Shanxi, PRC 10 June 2011	RMB160,000,000	75.00	75.00	–	–	75.00	75.00	Establishment of cement and related products production line
Jingbian Xian Shanshui Cement Co., Ltd. 靖邊縣山水水泥有限公司	Shaanxi, PRC 15 November 2011	RMB30,000,000	80.00	80.00	–	–	80.00	80.00	Production and sales of cement
Shenmu Shanshui Cement Co., Ltd. 神木山水水泥有限公司	Shaanxi, PRC 4 April 1994	RMB60,000,000	70.00	70.00	–	–	70.00	70.00	Production and sales of cement

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2022	2021	2022	2021	2022	2021	
(e) Domestic companies established in the PRC (continued)									
Linfen Shanshui Yongzhongsheng Cement Co., Ltd. (“Shanxi Yongzhongsheng”) 臨汾山水永中晟水泥有限公司	Shanxi, PRC 30 August 2012	RMB40,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement
Yangqu County Zhongyu Building Material Co., Ltd. 陽曲縣中宇建材有限公司	Shanxi, PRC 7 November 2012	RMB1,000,000	60.00	60.00	-	-	100.00	100.00	Production and sales of cement
Taiyuan Guangsha Cement Co., Ltd. 太原廣慶水泥有限公司	Shanxi, PRC 29 December 2015	RMB200,000	60.00	60.00	-	-	100.00	100.00	Production and sales of cement
Shule Shanshui 疏勒山水水泥有限公司	Xinjiang, PRC 24 August 2010	RMB50,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement and concrete
Yingjiasha Shanshui Cement Co., Ltd. 英吉沙山水水泥有限公司	Xinjiang, PRC 24 August 2010	RMB232,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement, concrete and clinker
Shache Shanshui Cement Co., Ltd. 莎車山水水泥有限公司	Xinjiang, PRC 14 October 2010	RMB50,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement and concrete
Kezhou Shanshui Materials Trading Co., Ltd. 克州山水物貿有限公司	Xinjiang, PRC 17 April 2013	RMB20,000,000	100.00	100.00	-	-	100.00	100.00	Logistic service and sales of cement and materials

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2022	2021	2022	2021	2022	2021	
(e) Domestic companies established in the PRC (continued)									
Xinzhou Shanshui Environmental Protection Technology Material Co., Ltd. 忻州山水環保科技有限公司	Shanxi, PRC 17 June 2021	RMB10,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement
Pinyin Shanshui Building Materials Co., Ltd. 平陰山水建築材料有限公司	Shandong, PRC 21 October 2020	RMB12,031,350	67.30	67.30	-	-	100.00	100.00	Establishment of cement and related products production line
Zhangzi Hulushan Building Materials Co., Ltd. 葫蘆島楊家杖子經濟開發區山水建材有限公司	Liaoning, PRC 27 December 2017	RMB1,000,000	70.00	70.00	-	-	100.00	100.00	Production and sales of cement
Qingdao Shanshui New Building Materials Co., Ltd. 青島山水新型建築材料有限公司	Qingdao, PRC 23 February 2021	RMB30,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement

During the year ended 31 December 2022, the Group acquired the non-controlling interest of Dezhou Shanshui at cash consideration of RMB3,000,000.

During the year ended 31 December 2021, the Group acquired the non-controlling interest of Qingdao Ji'an Concrete Co., Ltd. and Shanxi Yongzhongsheng at cash consideration of RMB11,411,000 in aggregate.

The directors of the Company are of the opinion that none of its subsidiaries has non-controlling interests which are material to the Group.