SUNNSY

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

2024 Interim Report

Contents

(I) Definitions

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

"Company" or "China Shanshui" or "Shanshui Cement"	China Shanshui Cement Group Limited
"Group" or "China Shanshui Group"	the Company and its subsidiaries
"Financial Statements"	the condensed consolidated financial statements of the Group
"Reporting Period"	the period from 1 January 2024 to 30 June 2024
"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 Holding"	China Building Material Holdings Co., Limited
"CNBM"	China National Building Material Company Limited
"CNBMG"	China National Building Material Group Co., Ltd.
"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

(I) Definitions (Continued)

"Eastern Shandong Operating Region"	business located at the Eastern Shandong Province, including Weifang, Qingdao, Yantai and Weihai, etc
"Western Shandong Operating Region"	business located at the Central and Western Shandong Province, including Zibo, Jinan and Hebei Province and Tianjin, etc
"Southern Shandong Operating Region"	business located at the Southern Shandong Province, including Zaozhuang, Jining, Heze and Henan Province, etc
"Northeast China Operating Region"	business located at Liaoning Province, the Eastern Inner Mongolia and Jilin Province, etc
"Shanxi Operating Region"	business located at Shanxi Province and Shaanxi Province, etc
"Xinjiang Operating Region"	business located at Kashi, Xinjiang
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"SFO"	Securities and Futures Ordinance (Cap. 571) (as amended, supplemented or otherwise modified from time to time)
"Shares"	the ordinary shares in the share capital of the Company with a nominal value of US$0.01 each
"Shareholder(s)"	holder(s) of the Share(s)
"Articles of Association"	the amended and restated memorandum and articles of association of the Company adopted on 25 May 2023
"YOY"	year on year comparison
"clinker"	a semi-finished product in the cement production process
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"RMB"	Renminbi, the lawful currency of the PRC, which is the currency unit used in this report, unless otherwise specified
"PRC"	The People's Republic of China

(II) Corporate Information

1. BOARD OF DIRECTORS AND BOARD COMMITTEES

Executive Directors

Mr. TENG Yongjun *(Chairman) (appointed as an executive director and the chairman of the Board on 5 August 2024)*
Mr. LI Huibao *(resigned as an executive director and the chairman of the Board on 31 May 2024)*
Ms. WU Ling-ling
Ms. ZHENG Yingying *(appointed as an executive director on 31 May 2024)*
Mr. HOU Jianguo *(resigned as an executive director on 31 May 2024)*

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

Nomination Committee

Mr. HSU You-yuan *(Chairman)*
Ms. WU Ling-ling
Ms. ZHENG Yingying *(appointed as a member on 31 May 2024)*
Mr. HOU Jianguo *(resigned as a member on 31 May 2024)*
Mr. CHANG Ming-cheng
Mr. LI Jianwei

Environmental, Social and Governance Committee

Mr. TENG Yongjun *(Chairman) (appointed as the chairman and a member on 5 August 2024)*
Mr. LI Huibao *(resigned as the chairman and a member on 31 May 2024)*
Ms. WU Ling-ling
Ms. ZHENG Yingying *(appointed as a member on 31 May 2024)*
Mr. HOU Jianguo *(resigned as a member on 31 May 2024)*
Mr. CHANG Ming-cheng *(appointed as the chairman on 31 May 2024 and resigned as the chairman on 5 August 2024)*
Mr. LI Jianwei
Mr. HSU You-yuan

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	:	TENG Yongjun 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 CPA Limited *(Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)*

(III) Key Data

1. KEY FINANCIAL DATA

(Unit: RMB'000)

	January to June 2024	January to June 2023
Operating revenue	**6,566,739**	8,851,107
Gross profit	**623,376**	1,212,786
Gross profit margin	**9.5%**	13.7%
Loss from operations	**(500,932)**	(42,692)
Loss margin from operations	**-7.6%**	-0.5%
Loss for the period	**(616,636)**	(307,916)
Attributable to:		
Shareholders of the Company	**(530,628)**	(236,847)
Non-controlling shareholders	**(86,008)**	(71,069)
Basic loss per share *(RMB) (Note)*	**(0.12)**	(0.05)
Net cash generated from operating activities	**209,713**	298,039

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

	30 June 2024	31 December 2023
Total assets	**31,006,529**	30,773,414
Total liabilities	**13,222,082**	12,370,050
Total equity attributable to equity shareholders of the Company	**17,803,573**	18,329,334
Net gearing ratio *(Note)*	**14.8%**	13.5%

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

2. KEY BUSINESS DATA

	January to June 2024	January to June 2023
Sales volume of cement *('000 tonnes)*	**21,604**	23,149
Sales volume of clinker *('000 tonnes)*	**3,027**	3,865
Sales volume of concrete *('000 m^3)*	**1,141**	1,497
Unit selling price of cement *(RMB/tonne)*	**248.0**	304.2
Unit selling price of clinker *(RMB/tonne)*	**205.2**	253.5
Unit selling price of concrete *(RMB/m^3)*	**305.1**	389.1

(IV) Management Discussion and Analysis

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW

In the first half of 2024, the cement industry showed the operating characteristics of "continuous decrease in demand, low price fluctuations, and sustained losses". The real estate industry is still in the adjustment phase, while the investment growth in infrastructure continues to slow down, dragging down overall cement demand. In the first half of the year, the price competition in mainstream consumption markets such as the Yangtze River Delta and the Pearl River Delta remained fierce, which prompted the bottom operation of cement prices. The low volume and low price led to historic losses in the industry.

Demand side: Continuing the trend of sharp decline in the past two years

From the structure of cement demand, on the one hand, the real estate market has not yet stabilized, and investment continues to show a contraction trend due to weak sales, with a continuous sharp decline in new construction areas. On the other hand, the growth rate of infrastructure investment continues to slow down, key projects in provinces and cities have been suspended or postponed, directly affecting cement demand in the infrastructure sector, and at the same time, due to tight funds, the progress of some infrastructure projects is slow, resulting in an overall lag in cement demand.

According to statistics from the National Bureau of Statistics, in the first half of 2024, the national real estate development investment was RMB15.2529 trillion, with a YOY decrease of 10.1%. The new construction area of residential houses was 380.23 million square meters, representing a decrease of 23.7%. The YOY decline in national real estate development investment continued to narrow, and the new construction area of residential houses of real estate development companies decreased significantly YOY. Infrastructure investment (excluding electricity, heat, gas, and water production and supply industries) increased by 5.4% YOY, and the growth rate of infrastructure investment slowed down.

In the first half of 2024, the national cement demand continued to decline sharply for nearly two years. According to statistics from the National Bureau of Statistics, in the first half of 2024, the national cement production was 850 million tonnes, with a YOY decrease of 10% (comparable caliber) and a decrease of 100 million tonnes from the same period last year. The cement production was the lowest since the same period in 2011, approaching the level of the same period in 2010.

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW (CONTINUED)

Supply Side: The intensity of off-peak kiln shutdowns increased in the second quarter, and inventory has improved compared to last year

In the first quarter, due to the continuous deterioration of market supply and demand, unstable business mentality, and cement prices reaching the bottom, the entire industry suffered serious losses. In the second quarter, led by leading companies in various places, the industry actively carried out industry self-discipline and strengthened the implementation of staggered production, the national cement inventory fell, and cement prices were able to achieve a counter-trend rebound.

Looking at the inventory index (inventory capacity ratio) monitored by the Digital Cement Network, although the overall inventory in the first half of the year is still high, it has been significantly lower than the levels in the same period in 2023 and 2022 in the second quarter, and the market supply pressure has relatively eased.

Cement prices: Hovering at a low level, rebounding with fluctuations

In the first half of 2024, the national cement market prices were at a low level and showed an overall trend of "hovering at a low level and rebounding with fluctuations". According to data from the Digital Cement Network, in the first half of the year, the average transaction price of cement in the national market was RMB367/tonne, a decrease of RMB54/tonne compared to the same period last year, representing a decrease of 13%. In the first quarter, due to the weak performance of downstream cement market demand and the continuous deterioration of market supply and demand, cement prices reached the bottom, and the entire industry suffered serious losses; in the second quarter, led by leading companies in various places, the industry actively carried out industry self-discipline and strengthened the implementation of staggered production, and the mentality of companies has changed, and cement prices were able to rebound.

For the second half of the year, the industry's profits are expected to improve. The main reasons are that, on the one hand, the cement demand will marginally improve in the second half of the year: with the accelerated implementation of ultra-long-term national bonds, special bonds, and central special funds, the cement demand for key projects under construction will be boosted, and together with the post-disaster reconstruction needs in certain regions, the demand for cement is expected to increase both quarter-on-quarter and YOY. On the other hand, the mentality of companies has changed, and the intensity of supply compression is expected to continue to increase. In the first half of the year, the domestic cement market demand continued to be weak, and the market switched from full competition to cooperation. In this process, both large and small companies have changed their business strategies from "market share" to "profit", and the trend is still ongoing. In the first half of the year, the entire industry showed a loss, and most cement companies faced great business pressure. They have a strong demand for price and profit improvement in the second half of the year, and will actively participate in industry self-discipline and staggered production to increase prices and strive to achieve their annual business goals. With the marginal improvement of demand and the continuous increase in supply pressure, cement prices in the second half of the year are expected to continue the rebound trend at the end of the second quarter. Therefore, the industry's profits are expected to also significantly improve. A loss-to-profit turnaround is expected in the third quarter, and it is expected to be flat or slightly higher than last year in the fourth quarter. **(Source: CCA Information Research Center, Digital Cement Network)**

2. RESULTS OF OPERATIONS

As of 30 June 2024, the Group had a total production capacity of 97.73 million tonnes of cement, 50.12 million tonnes of clinker and 19.10 million cubic meters of concrete.

Revenue

The sales revenue was RMB6,566,739,000, representing a YOY decrease of 25.8%, with revenue analysis by product as follows:

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

	January to June 2024				January to June 2023			
Product	**Sales volume** ***(thousand tonnes/ thousand cubic meters)***	**Average selling price** ***(RMB/ tonne or cubic meter)***	**Amount** ***RMB'000***	**Proportion**	Sales volume *(thousand tonnes/ thousand cubic meters)*	Average selling price *(RMB/ tonne)*	Amount *RMB'000*	Proportion
Cement	**21,604**	**248.0**	**5,358,386**	**81.6%**	23,149	304.2	7,041,690	79.5%
Clinker	**3,027**	**205.2**	**621,177**	**9.5%**	3,865	253.5	979,924	11.1%
Concrete	**1,141**	**305.1**	**348,070**	**5.3%**	1,497	389.1	582,447	6.6%
Others *(Note)*	**N/A**	**N/A**	**239,106**	**3.6%**	N/A	N/A	247,046	2.8%
Total			**6,566,739**	**100%**			8,851,107	100.0%

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

During the Reporting Period, the Group's external sales volume of cement and clinker decreased by 1,545,000 tonnes and 838,000 tonnes respectively as compared to the same period of 2023, representing a decrease of 6.7% and 21.7%, respectively. The external sales volume of concrete decreased by 356,000 cubic meters as compared to the same period of 2023, representing a decrease of 23.8 %. The decrease in sales volume of cement during the period was mainly due to the decline in demand for cement in the first half of this year as a result of the real estate industry still undergoing adjustments and the slowdown in infrastructure investment.

2. RESULTS OF OPERATIONS (CONTINUED)

Revenue (Continued)

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

During the Reporting Period, the Group's average selling prices of cement, clinker and concrete decreased by RMB56.2, RMB48.3 and RMB84.0, respectively, representing a decrease of 18.5%, 19.1% and 21.6%, respectively, as compared to the same period of 2023.

Cement sales for concrete production within the Group amounted to 228,979 tonnes from January to June 2024 (The same period of 2023: 338,454 tonnes), accounting for 1.1% of total cement sales (The same period of 2023: 1.5%).

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

Product	**January to June 2024** Sales volume (*'000 tonnes*)	**January to June 2024** Sales proportion	January to June 2023 Sales volume (*'000 tonnes*)	January to June 2023 Sales proportion	Change in sales volume
High grade cement	**20,191**	**93.5%**	21,613	93.4%	-6.6%
Low grade cement	**1,413**	**6.5%**	1,536	6.6%	-8.0%

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 20,191,000 tonnes, representing a YOY decrease of 6.6%, and sales volume of low grade cement was 1,413,000 tonnes, representing a YOY decrease of 8.0%.

2. RESULTS OF OPERATIONS (CONTINUED)

Revenue (Continued)

(3) Cement sales volume by region

Region	January to June 2024				January to June 2023			
	Sales volume	**Average selling price**	**Amount**	**Proportion**	Sales volume	Average selling price	Amount	Proportion
	('000 tonnes)	*(RMB/ tonne)*	*RMB'000*		*(thousand tonnes/ thousand cubic meters)*	*(RMB/ tonne)*	*RMB'000*	
Shandong Region	**12,434**	**251.9**	**3,131,560**	**58.4%**	13,119	329.7	4,324,850	61.4%
Eastern Shandong Operating Region	**4,019**	**255.7**	**1,027,546**	**19.2%**	4,959	342.8	1,699,970	24.1%
Western Shandong Operating Region	**5,815**	**258.2**	**1,501,553**	**28.0%**	5,380	336.6	1,810,929	25.7%
Southern Shandong Operating Region	**2,600**	**231.7**	**602,461**	**11.2%**	2,780	292.8	813,951	11.6%
Northeast China Operating Region	**5,914**	**236.2**	**1,396,722**	**26.1%**	6,498	246.7	1,603,346	22.8%
Shanxi Operating Region	**2,855**	**233.2**	**665,690**	**12.4%**	2,947	289.8	853,938	12.1%
Xinjiang Operating Region	**401**	**410.0**	**164,414**	**3.1%**	585	443.7	259,556	3.7%
Total	**21,604**	**248.0**	**5,358,386**	**100.0%**	23,149	304.2	7,041,690	100.0%

2. RESULTS OF OPERATIONS (CONTINUED)

Cost of sales

(Unit: RMB'000)

Cost of sales	January to June 2024 Amount	January to June 2024 Proportion to revenue	January to June 2023 Amount	January to June 2023 Proportion to revenue	Change of proportion to revenue
Raw materials	**1,988,686**	**30.3%**	2,696,054	30.5%	-0.2 P.Pts.
Coal	**1,693,403**	**25.8%**	2,237,015	25.3%	0.5 P.Pts.
Power	**580,841**	**8.8%**	684,757	7.7%	1.1 P.Pts.
Depreciation and amortisation	**307,579**	**4.7%**	440,805	5.0%	-0.3 P.Pts.
Others	**1,372,854**	**20.9%**	1,579,690	17.8%	3.1 P.Pts.
Total cost of sales	**5,943,363**	**90.5%**	7,638,321	86.3%	4.2 P.Pts.

During the Reporting Period, the proportion of the Group's total cost of sales to revenue was 90.5%, representing a YOY increase of 4.2 percentage points. In particular, the costs of raw materials, depreciation and amortisation decreased by 0.2 and 0.3 percentage points, respectively, and coal cost, electricity, and other costs increased by 0.5, 1.1, and 3.1 percentage points, respectively, as compared with the corresponding period of the previous year.

The YOY decrease in raw materials cost was mainly attributable to the YOY decrease in sales volume of cement and clinker, as well as the lower prices of raw materials such as limestone and mineral powder. From January to June 2024, the average purchase price of coal decreased by approximately 15.0% to RMB875.2/tonne compared with the corresponding period of the previous year (RMB1,029.2/tonne). The unit coal consumption per tonne of clinker produced from January to June 2024 decreased to 114.3 kg from an average of 118.3 kg from January to June 2023. The average cost of coal per tonne of clinker produced from January to June 2024 decreased by 17.9% from the average of RMB121.8 from January to June 2023 to RMB100.0, due to a fall in coal prices. The YOY decrease in cost of electricity was mainly due to the decrease in electricity charge and power consumption for the period. The YOY decrease in depreciation and amortization costs was mainly due to the treatment of discontinued production lines and fully depreciated equipment during the period. Other costs were lower than those of the corresponding period of the previous year, mainly due to lower maintenance and labour costs.

2. RESULTS OF OPERATIONS (CONTINUED)

Gross profit and gross profit margin

The gross profit for the six months ended 30 June 2024 was RMB623,376,000 (2023: RMB1,212,786,000), representing a gross profit margin of 9.5% on revenue (2023: 13.7%). The decrease in gross profit was mainly due to the YOY decrease in cement sales volume and price. In addition, the decrease in cement sales prices was greater than the decrease in unit production costs, resulting in a decrease in gross profit margin.

Other income

Other income decreased from RMB95,466,000 to RMB82,755,000, mainly due to the decrease in income from government grants received during the period as compared with the same period of last year.

Other net expenses, gains and losses

Other net expenses, gains and losses decreased from a net loss of RMB78,356,000 to a net loss of RMB9,618,000, mainly due to the decrease in foreign exchange loss and the impairment loss on property, plant and equipment in the period as compared with the same period of last year, as well as the gain arising from the disposal of a subsidiary in the period.

Selling and marketing expense, administrative expense and finance expense

Selling and marketing expenses decreased from RMB142,057,000 to RMB133,209,000, representing a YOY decrease of 6.2%, which was mainly due to the decrease in sales volume of cement, resulting in a decrease in loading and unloading fees and sales and service fees during the period compared to the same period of last year.

A YOY decrease of 9.2% from RMB614,339,000 to RMB558,034,000 was recorded in administrative expense, which was mainly due to the decrease in the number of employees, resulting in a decrease in employee emolument in the period as compared with the same period of last year, and the reduction of various expenses.

2. RESULTS OF OPERATIONS (CONTINUED)

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

Finance costs decreased from RMB118,699,000 to RMB90,486,000, representing a YOY decrease of 23.8%, which was mainly due to the decline in interest rates on borrowings in the period as compared with same period of last year.

Taxation

Income tax expenses dropped from RMB145,284,000 to RMB21,147,000, representing a YOY decrease of 85.3%, which was mainly due to the decrease in taxable income in the period as compared with same period of last year.

Loss for the period

During the Reporting Period, the Group recorded a net loss of RMB616,636,000 as compared to a net loss of RMB307,916,000 for the same period in 2023, which was mainly due to a YOY decrease in cement sales volume and price for the period, resulting in a significant decrease in gross profit.

3. FINANCIAL RESOURCE AND LIQUIDITY

As of 30 June 2024, total assets increased by 0.8% to RMB31,006,529,000 (31 December 2023: RMB30,773,414,000), while total equity decreased by 3.4% to RMB17,784,447,000 (31 December 2023: RMB18,403,364,000). As at 30 June 2024, the Group's net gearing ratio was 14.8% (31 December 2023: 13.5%), calculated based on net debts and total equity as of 30 June 2024 and 31 December 2023, respectively. The increase in net gearing ratio was mainly due to the increase in bank borrowings and the decrease in total equity for the period.

Bank balances and cash

As at 30 June 2024, the Group's bank balances and cash, restricted bank deposits and fixed bank deposits were as follows:

	30 June 2024 ***RMB'000***	31 December 2023 *RMB'000*
Bank balances and cash	**2,423,056**	2,254,037
Restricted bank deposits	**327,852**	423,854
Fixed bank deposits	**513,804**	512,481
Total	**3,264,712**	3,190,372

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

	30 June 2024 ***RMB'000***	31 December 2023 *RMB'000*
RMB	**2,776,572**	2,691,541
Hong Kong Dollar ("**HK$**")	**198,799**	202,430
United States Dollar ("**US$**")	**289,341**	296,401
Total	**3,264,712**	3,190,372

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Bank loans and other loans

Term of borrowings	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
Short-term borrowings (including long-term borrowings with maturity within one year)	**3,871,050**	4,332,147
Long-term borrowings	**1,650,210**	800,310
Total	**5,521,260**	5,132,457

As at 30 June 2024, all borrowings of the Group were denominated in RMB. The Group's total borrowings were RMB5,521,260,000, representing an increase of RMB388,803,000 as compared with the end of 2023. In particular, short-term borrowings amounted to RMB3,871,050,000, accounting for 70.1% of the Group's total borrowings. As at 30 June 2024 and as of the date of this report, the Group's unused credit facilities approved by the banks amounted to RMB230,000,000, and the Group will obtain new bank loan facilities as required.

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

The Group had net current liabilities of RMB2,095,935,000 as at 30 June 2024. Taking into account the cash and bank balances, the amount of funds that the Group expects to generate internally, the new bank loan facilities and other sources of financing to be obtained, the Board believes that the Group will be able to meet its financial obligations when they fall due in the foreseeable future.

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

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Capital expenditures

During the Reporting Period, capital expenditures were approximately RMB571,386,000, which were mainly used for investing in the new construction and technical transformation of intelligent production, mine resource reserves, cement and clinker production lines. The capital required for the Group's investment and construction is mainly financed by working capital generated from daily operations and certain bank borrowings.

Outstanding capital commitments under the production facility construction contracts and the equipment purchase contracts not provided for in the financial statements as at 30 June 2024 were as follows:

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
Authorised and contracted for		
—plant and equipment and intangible assets	**719,988**	1,275,929
Authorised but not contracted for		
—plant and equipment and intangible assets	**854,040**	918,370
Total	**1,574,028**	2,194,299

As of 30 June 2024, the capital commitments authorised and contracted for by the Group amounted to RMB719,988,000, which represents a decrease of RMB555,941,000 or 43.6% as compared to the end of 2023. Capital commitments authorised but not contracted for as of 30 June 2024 amounted to RMB854,040,000.

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Net cash flow analysis

	January to June 2024	January to June 2023
	RMB'000	*RMB'000*
Net cash flow generated from operating activities	**209,713**	298,039
Net cash flow used in investing activities	**(518,544)**	(450,805)
Net cash flow generated from financing activities	**474,494**	1,190,068
Net changes in cash and cash equivalents	**165,663**	1,037,302
Balance of cash and cash equivalents at 1 January	**2,254,037**	2,124,362
Effect of foreign exchange rate changes	**3,356**	21,739
Balance of cash and cash equivalents at 30 June	**2,423,056**	3,183,403

Net cash generated from operating activities

During the Reporting Period, the Group recorded a net cash generated from operating activities of RMB209,713,000, representing a YOY decrease of RMB88,326,000, mainly due to a decrease in cement sales volume and price in the period, resulting in a decrease in sales revenue.

Net cash used in investing activities

During the Reporting Period, the Group recorded a net cash used in investing activities of RMB518,544,000, representing a YOY increase of RMB67,739,000, mainly due to the increase in capital expenditure for the construction of new cement and clinker production lines and the purchase of equipment for technological renovation in the period as compared with the same period of last year.

Net cash generated from financing activities

During the Reporting Period, the Group recorded a net cash generated from financing activities of RMB474,494,000, representing a YOY decrease of RMB715,574,000, mainly due to the decrease in the additional bank borrowings in the period as compared to the same period of last year.

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Material acquisition and disposal of subsidiaries and affiliated companies

On 19 March 2024, the Group entered into an agreement with an independent third party for the disposal of 70% equity interest in a subsidiary, Guangrao Shanshui Cement Company Limited, at a consideration of RMB26,295,000, which transaction had no material impact on the Group's financial operations, and the relevant gain and details on the disposal are set out in Notes 6 and 21 to the Financial Statements. Except for the foregoing paragraph, the Group had no other material acquisition or disposal during the Reporting Period.

Pledge of assets

Details in relation to pledge of assets of the Group as at 30 June 2024 are set out in Note 16 to the Financial Statements.

Contingent liabilities

Details in relation to contingent liabilities of the Group as at 30 June 2024 are set out in Note 24 to the Financial Statements.

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Management of foreign exchange exposure

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

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

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

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

4. OUTLOOK FOR THE SECOND HALF OF THE YEAR

Operational situation analysis

In the first half of the year, the real estate market remained in a phase of deep adjustment, with investment showing a contraction trend. At the same time, influenced by factors such as the slow progress in issuing new special bonds and the control of local debt risks, the commencement rate of infrastructure projects fell below expectations. Some infrastructure projects were halted or postponed, leading to an overall stagnation in cement demand. The contradiction of overcapacity intensified, exacerbating market competition. Facing the complex and challenging market situation, the industry has actively promoted ecological restoration, continued to strengthen off-peak production, and strived to restore prices to a reasonable level. However, the effect of price restoration did not meet the expectations of most regions except for the northeastern region, leading to a significant YOY decline in cement prices. Although the Company has effectively controlled costs, the gross profit margin has gradually improved in the second quarter, and profitability has started to recover, there was still a significant increase in losses compared to the same period last year. Looking ahead to the second half of the year, firstly, with the accelerated issuance of ultra-long government bonds, special bonds, and central special funds, the cement demand for key construction projects under construction will be boosted, along with the overlay of post-disaster reconstruction needs in certain regions, leading to an overall increase in cement demand. Secondly, in the first half of the year, the entire industry experienced losses, with most cement enterprises facing significant operational pressures. The strong demand for price and profit restoration is expected to help reinforce the execution of off-peak production, balance supply and demand reasonably, and create a favorable foundation for the industry's profit recovery in the second half of the year.

Company business outlook for the second half of the year

(I) The Company plans to strictly implement off-peak production. The Company will rigorously adhere to the requirements of supply-side structural reform, actively guide industry self-discipline, take the lead in implementing off-peak production, help optimize and improve market supply and demand relationships, and promote the construction of a healthy industry ecosystem.

(II) The Company plans to fully explore the market. The Company will adhere to a demand-oriented approach, leverage brand advantages, and continuously strengthen differentiated marketing. On the basis of consolidating the core business segments such as key projects and rural markets, the Company will further expand into special markets such as nuclear power cement markets. Additionally, the Company will actively utilize digital technology to empower marketing efforts, make full use of e-commerce platforms, and promote channel sinking and flattening in marketing distribution.

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

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

(III) The Company plans to deepen cost reduction and efficiency improvement efforts. Firstly, the Company will continue to strengthen lean production management. Based on the implementation of the new national standard for cement, the Company will conduct relevant data integration and analysis to explore and update the optimal operational thresholds while balancing quality and safety to maximize benefits. Secondly, the Company will continue to drive cost reduction through procurement while ensuring supply security. By fully considering production needs, understanding the operating principles of the raw material market, and scientifically coordinating procurement plans, the Company will standardize and refine the comprehensive benchmarking of comparable materials. The Company will integrate procurement channels for raw materials, leverage the scale advantages of bulk procurement and material transport platforms, and maximize the exploration of cost reduction opportunities in procurement and supply chain optimization.

(IV) The Company plans to strengthen risk prevention and control. Firstly, the Company will tightly grasp closed-loop management of safety production throughout the entire process, conduct comprehensive inspections to rectify safety hazards, and firmly establish a safety baseline. Secondly, the Company will uphold the management philosophy of “quality first” and continuously enhance product quality control throughout the product lifecycle. Thirdly, the Company will strictly implement policy requirements related to energy, environmental protection, carbon emissions, and production capacity, focus on policy risk prevention and control, and enhance sustainable development capabilities. Fourthly, the Company will continue to standardize project fund management, make precise investments, optimize account receivable management, strengthen control over various expenses, ensure the safety and stability of the fund chain, and effectively constrain the entire fund management process.

5. EMPLOYEES AND THEIR REMUNERATION

As of 30 June 2024, the Group had a total of 15,149 employees. The Group provides retirement insurance, medical insurance and unemployment insurance and makes contributions to the housing provident scheme for its employees in the PRC in accordance with applicable laws and regulations in the PRC. The Group remunerates its employees based on their respective work performance and experience and reviews its employee remuneration policies as and when appropriate.

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

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

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

As of 30 June 2024, the Company's authorised share capital was US$100,000,000 divided into 10,000,000,000 Shares of par value of US$0.01 each.

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

As of 30 June 2024, the Company has issued a total of 4,353,966,228 Shares.

2. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

(1) Shareholdings of substantial shareholders

As of 30 June 2024, 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%
ACC[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%

(V) 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)	Beneficial owner	3.28%
	760,271,315 (L)[5]	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under s.317(1)(a) and s.318 of the SFO	17.46%
CNBMG[6]	563,190,040 (L)	Interests of corporations controlled by substantial shareholder	12.94%
CNBM[6]	563,190,040 (L)	Interests of corporations controlled by substantial shareholder	12.94%
CNBM Holding[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.

(2b) On 22 March 2016, Tianrui Group, the Company's substantial shareholder, notified the Company that it has pledged 791,000,000 shares of the Company in favor of China Bohai Bank Co., Ltd. Dalian Branch ("**Bohai Bank**") for a bank loan. In addition, according to the Form 2 filed on 8 June 2021 by Bohai Bank, on 25 April 2019, Tianrui Group has pledged an additional 160,462,000 Shares held by it in favour of Bohai Bank pursuant to a loan agreement entered into between Tianrui Group (as the borrower) and Bohai Bank (as the lender) on 7 March 2019. According to the Form 2 filed on 25 July 2022 and 27 March 2023, a loan agreement entered into between Tianrui Group (as the borrower) and Bohai Bank (as the lender) on 24 February 2022 and 20 February 2023 respectively. Tianrui Group has pledged 951,462,000 shares held by it in favour of Bohai Bank. The aggregate of 951,462,000 Shares which were pledged to Bohai Bank as described above represent all of the Shares of the Company held by Tianrui Group.

(3) According to the Form 2 filed on 18 November 2014, ZHANG Caikui is the person in accordance with whose directions CSI 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 ACC. 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) ACC is the party to the agreement under Section 317.

(6) CNBM was a controlled corporation of CNBMG, which owned 100% of CNBM Holding.

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

(8) The number of issued shares of the Company as at 30 June 2024 was 4,353,966,228.

2. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

(1) Shareholdings of substantial shareholders (Continued)

Save as disclosed above, and so far as the Directors are aware, as at 30 June 2024, no person, other than Directors or the Chief Executive of the Company, had an interest or short position in the Shares or underlying shares of the Company which would need to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register maintained pursuant to Section 336 of the SFO.

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

As of 30 June 2024, 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 C3 to the Listing Rules.

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

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

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

4. SHARE OPTION SCHEME

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

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

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

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

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

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

Out of the options to subscribe for 163,700,000 Shares granted on 27 January 2015, 73,800,000 shares options were lapsed in accordance with the terms of the Share Option Scheme and therefore will not be counted for the purpose of the Existing Scheme Mandate Limit pursuant to Note 1 to Rule 17.03(3) of the Listing Rules.

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

4. SHARE OPTION SCHEME (CONTINUED)

Accordingly, taking into account all the options granted and conditionally granted, the outstanding Existing Scheme Mandate Limit as of the date of this report is 170,436,000 Shares, representing approximately 65.47% of the Existing Scheme Mandate Limit and approximately 3.91% of the share capital in issue (4,353,966,228 Shares) as at the date of this report.

The Shares that will be issued upon full exercise of the options currently granted under the Share Option Scheme are 89,900,000 Shares, representing approximately 2.06% of the share capital in issue (4,353,966,228 Shares) of the Company as of 30 June 2024.

Details of the options are set out as follows:

					Number of Share Options				
Type of Grantee	Date of Grant	Vesting period	Exercise period	Exercise price	Outstanding as at 1 January 2024	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at 30 June 2024
Other employee participants[1]	25 May 2011	Nil	25 May 2011 – 24 May 2021	HK$7.90	–	–	–	–	–
Other employee participants[1]	27 January 2015	Six months after the date of grant	27 July 2015 – 26 January 2025	HK$3.68	90,300,000	–	400,000	–	89,900,000
					90,300,000	–	400,000	–	89,900,000

Note:

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

Summary of the principal terms of the Share Option Scheme

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

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

4. SHARE OPTION SCHEME (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

5. PRE-EMPTIVE RIGHTS

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

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 Cayman Petition. At the hearing of the Summons, Tianrui sought leave to re-amend the Cayman Petition, notably in order to join China National Building Materials Company Limited ("**CNBM**") and Asia Cement Corporation ("**ACC**") as respondents to the Cayman Petition. CNBM and ACC are currently shareholders of the Company.

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

On 19 March 2021, the Cayman Petition was served on CNBM and ACC. Thereafter, at a further hearing of the Summons on 16 July 2021, the Grand Court ordered that the Cayman Petition be treated as an inter-party proceeding between Tianrui, CNBM and ACC, save that the Company may also participate for the purpose of discovery and to be heard regarding the appropriate remedy should the Cayman Petition be granted. At the hearing, Tianrui conceded that the only relief it was seeking in the winding-up proceedings was the liquidation of the Company and was ordered to amend its Cayman Petition accordingly. The Grand Court also granted leave to Tianrui to amend the Writ to confine the relief it is seeking to declarations that (i) the exercise by the Company's directors of the power to issue certain convertible bonds on or about 8 August 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.

1. MATERIAL LITIGATION IN THE CAYMAN ISLANDS (CONTINUED)

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

The 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 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.

The Grand Court delivered rulings on 17 October 2023 and 26 October 2023, and a judgment dated 30 October 2023, regarding the scope of discovery in respect of the Cayman Petition. As at 29 July 2024, the parties are in the process of agreeing on certain aspects of the Court's order, before discovery can progress. Further timetable to trial is yet to be set.

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

2. MATERIAL LITIGATION IN HONG KONG

HCA 2880 of 2015 and CACV 91 of 2020

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

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

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

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

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

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

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

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

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

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

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

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

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

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

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

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

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

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

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

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

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

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

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

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

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

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

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

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

HCA 548 of 2019

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

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

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

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

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

HCA 1013 of 2023

On 18 July 2023, the Company announced that the Company and its subsidiaries, namely China Shanshui Cement Group (Hong Kong) Company Limited ("**CSC HK**") and China Pioneer Cement (Hong Kong) Company Limited ("**Pioneer**"), were served with a writ of summons dated 28 June 2023 under the action number HCA 1013 of 2023 (the "**Writ of Summons**") issued by Tianrui Group Company Limited ("**Tianrui Group**") in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region. Subsequently, the Writ of Summons was also served on Shandong Shanshui Cement Group Company Limited ("**Shandong Shanshui**"), another wholly-owned subsidiary of the Company.

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

HCA 1013 of 2023 (Continued)

In the Writ of Summons, Tianrui Group alleges that it extended loans to the Company, CSC HK, Pioneer and Shandong Shanshui (collectively, "**CSC Group**") with the alleged outstanding amount (the "**Alleged Loans**") as described in the announcement published by the Company on 18 July 2023, and claims for repayment of the Alleged Loans.

In its Defence and Counterclaim filed on 3 January 2024, CSC Group denies on substantial grounds that Tianrui Group is entitled to claim for repayment of the Alleged Loans, and counterclaims against Tianrui Group for (and is therefore in any event entitled to set off the Alleged Loans against) damages and/or equitable compensation as a result of the unlawful means conspiracy committed by Tianrui Group and other parties with the intention of injuring CSC Group and its subsidiaries during the period from 2015 to 2018. CSC Group's counterclaim in this action is substantially based on its claim against Tianrui Group and other parties in HCA 548 of 2019. Accordingly, CSC Group has made an application to the Court on 25 April 2024 for consolidation of this action with HCA 548 of 2019, and/or for the two actions to be heard together and/or one after the other before the same judge (the "**Hearing Together Summons**"). All parties in HCA 548 of 2019 are neutral to the Hearing Together Summons, except Tianrui Group, Tianrui (International) Holding Company Limited, Li Liufa and Ho Man Kay, Angela.

Meanwhile, on 28 February 2024, Tianrui Group also made an application to the Court to strike out CSC Group's counterclaim in this action allegedly, inter alia, on the ground that CSC Group's counterclaim in this action and its claim in HCA 548/2019 are duplicated (the "**Strike-Out Summons**"). CSC Group considers that the application is baseless, and will contest strenuously. The substantive hearing of the Hearing Together Summons and the Strike-Out Summons is fixed to be heard together on 30 April 2025.

3. PUBLIC FLOAT

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

4. CONNECTED TRANSACTIONS

Save as disclosed in this section, all the related party transactions set out in Note 25 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 CNBMG, one of the substantial shareholders of the Company, as set out in this section below constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules as of 30 June 2024, the summary of which is as follows:

On 21 April 2023, Shandong Shanshui, the Company's main operating entity and indirect wholly-owned subsidiary, has entered into the following agreements with CNBM and/or Shandong Quanxing Jingshi Cement Co., Ltd. ("**Shandong Quanxing**"), an affiliate of CNBM:

(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 "**2023 Framework Agreements**").

The 2023 Framework Agreements governed 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) were carried out pursuant to the terms of the 2023 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 21 April 2023 and the circular dated 2 May 2023 published by the Company for details.

As of 31 May 2024, the transactions between Company's group companies and CNBMG's group companies or affiliates under the 2023 Framework Agreements did not exceed the annual caps for the five months ended 31 May 2024.

4. CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions (Continued)

As the 2023 Framework Agreements expired on 31 May 2024 and it was expected that the transactions under the 2023 Framework Agreements would continue on a recurring basis, on 17 April 2024, the Group entered into the following agreements with CNBM and/or Shandong Quanxing, an affiliate of CNBM, to renew the 2023 Framework Agreements and the annual caps:

(a) the 2024 Mine Development Services Framework Agreement;

(b) the 2024 Cement Production Equipment and Supplies Framework Agreement;

(c) the 2024 Engineering and Technical Services Framework Agreement; and

(d) the 2024 Clinker and Cement Transactions Framework Agreements (collectively, the "**2024 Framework Agreements**").

Please refer to the announcement dated 17 April 2024 and the circular dated 29 April 2024 published by the Company for details.

The amounts and annual caps of the transactions between Company's group companies and CNBMG's group companies or affiliates under the 2024 Framework Agreements as of 30 June 2024 are described as follows.

(Unit: RMB'000)

Type	Transaction amount	Annual caps for the year ending 31 December 2024
Mine Development Services	249,260	649,310
Cement Production Equipment and Supplies	8,672	16,000
Engineering and Technical Services	105,741	392,640
Clinker and Cement Transactions	73,499	155,711

4. CONNECTED TRANSACTIONS (CONTINUED)

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

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

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

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

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

As of 30 June 2024, the Group borrowed RMB1.635 billion in aggregate on an interest-free basis from Tianrui Group which was mainly used to settle certain debts, including:

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

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

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

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

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

As of 30 June 2024, outstanding borrowings of the Company from Tianrui Group was RMB915 million.

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

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

For the six months ended 30 June 2024 – Unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
Revenue	3, 4	**6,566,739**	8,851,107
Cost of sales		**(5,943,363)**	(7,638,321)
Gross profit		**623,376**	1,212,786
Other income	5	**82,755**	95,466
Reversal of impairment losses/(impairment losses) on trade receivables, net		**20,591**	(6,670)
Impairment losses on other receivables, net		**(18,335)**	(10,245)
Selling and marketing expenses		**(133,209)**	(142,057)
Administrative expenses		**(558,034)**	(614,339)
Other net expenses, gains and losses	6	**(9,618)**	(78,356)
Expenses incurred during off-peak suspension		**(508,458)**	(499,277)
Loss from operations		**(500,932)**	(42,692)
Finance costs	7(a)	**(90,486)**	(118,699)
Share of results of associates		**(3,801)**	(1,241)
Loss before taxation		**(595,219)**	(162,632)
Income tax expense	8	**(21,417)**	(145,284)
Loss for the period		**(616,636)**	(307,916)
Attributable to:			
Equity shareholders of the Company		**(530,628)**	(236,847)
Non-controlling interests		**(86,008)**	(71,069)
Loss for the period		**(616,636)**	(307,916)
Loss per share	10		
Basic *(RMB)*		**(0.12)**	(0.05)
Diluted *(RMB)*		**(0.12)**	(0.05)

The notes on pages 45 to 71 form part of these condensed consolidated financial statements.

(VII) Interim Financial Statements (Unaudited)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024 – Unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Loss for the period	**(616,636)**	(307,916)
Other comprehensive income for the period		
Item that will not be reclassified to profit or loss:		
Exchange differences arising on translation from functional currency to presentation currency	**4,867**	64,478
Total comprehensive expense for the period	**(611,769)**	(243,438)
Attributable to:		
Equity shareholders of the Company	**(525,761)**	(172,369)
Non-controlling interests	**(86,008)**	(71,069)
Total comprehensive expense for the period	**(611,769)**	(243,438)

The notes on pages 45 to 71 form part of these condensed consolidated financial statements.

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

At 30 June 2024 – Unaudited
(Expressed in Renminbi)

	Notes	**At 30 June 2024** ***RMB'000***	At 31 December 2023 *RMB'000*
Non-current assets			
Property, plant and equipment	11	**16,524,378**	16,733,823
Right-of-use assets	11	**2,236,819**	2,254,779
Intangible assets	11	**1,982,923**	1,617,845
Goodwill		**55,132**	55,132
Other financial assets		**25,382**	15,180
Interest in associates		**479,245**	485,713
Deferred tax assets		**286,518**	306,215
Other long-term assets		**810,975**	874,685
		22,401,372	22,343,372
Current assets			
Inventories	12	**2,055,555**	2,143,591
Trade and bills receivables	13	**1,898,692**	1,743,148
Prepayments and other receivables	14	**1,302,526**	1,249,572
Tax recoverable		**83,672**	103,359
Restricted bank deposits	15	**327,852**	423,854
Fixed bank deposits		**513,804**	512,481
Bank balances and cash		**2,423,056**	2,254,037
		8,605,157	8,430,042
Current liabilities			
Bank loans – amount due within one year	16	**3,871,050**	4,332,147
Trade payables	17	**4,136,821**	3,855,229
Other payables and accrued expenses	18	**2,149,302**	2,069,927
Contract liabilities		**491,496**	422,288
Taxation payable		**47,810**	51,266
Lease liabilities		**4,613**	4,723
		10,701,092	10,735,580
Net current liabilities		**(2,095,935)**	(2,305,538)
Total assets less current liabilities		**20,305,437**	20,037,834

(VII) Interim Financial Statements (Unaudited)

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2024 – Unaudited
(Expressed in Renminbi)

	Notes	**At 30 June 2024** *RMB'000*	At 31 December 2023 *RMB'000*
Non-current liabilities			
Bank loans – amount due after one year	16	**1,650,210**	800,310
Long-term payables		**310,535**	303,799
Defined benefit obligations	19	**93,200**	93,200
Deferred income		**361,559**	316,007
Lease liabilities		**52,292**	52,911
Deferred tax liabilities		**53,194**	68,243
		2,520,990	1,634,470
Net assets		**17,784,447**	18,403,364
Capital and reserves			
Share capital	20	**295,671**	295,671
Share premium		**8,235,037**	8,235,037
Share capital and share premium		**8,530,708**	8,530,708
Other reserves		**9,272,865**	9,798,626
Total equity attributable to equity shareholders of the Company		**17,803,573**	18,329,334
Non-controlling interests		**(19,126)**	74,030
Total equity		**17,784,447**	18,403,364

The notes on pages 45 to 71 form part of these condensed consolidated financial statements.

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

For the six months ended 30 June 2024 – Unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Exchange reserves RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023, as previously reported	295,671	8,235,037	2,302,402	218,074	(413,832)	8,526,261	19,163,613	271,264	19,434,877
Impact of IAS 12 amendment	–	–	–	–	–	(2,277)	(2,277)	–	(2,277)
At 1 January 2023 (restated)	295,671	8,235,037	2,302,402	218,074	(413,832)	8,523,984	19,161,336	271,264	19,432,600
Loss for the period	–	–	–	–	–	(236,847)	(236,847)	(71,069)	(307,916)
Other comprehensive income for the period	–	–	–	–	64,478	–	64,478	–	64,478
Total comprehensive expense for the period	–	–	–	–	64,478	(236,847)	(172,369)	(71,069)	(243,438)
Transfer between reserves	–	–	794	–	–	(794)	–	–	–
Appropriation to maintenance and production funds	–	–	113,374	–	–	(113,374)	–	–	–
Utilisation of maintenance and production funds	–	–	(65,179)	–	–	65,179	–	–	–
Distribution to non-controlling interests	–	–	–	–	–	–	–	(11,232)	(11,232)
At 30 June 2023	295,671	8,235,037	2,351,391	218,074	(349,354)	8,238,148	18,988,967	188,963	19,177,930
At 1 January 2024	**295,671**	**8,235,037**	**2,355,924**	**218,074**	**(364,885)**	**7,589,513**	**18,329,334**	**74,030**	**18,403,364**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(530,628)**	**(530,628)**	**(86,008)**	**(616,636)**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**4,867**	**–**	**4,867**	**–**	**4,867**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**4,867**	**(530,628)**	**(525,761)**	**(86,008)**	**(611,769)**
Transfer between reserves	**–**	**–**	**(18)**	**–**	**–**	**18**	**–**	**–**	**–**
Appropriation to maintenance and production funds	**–**	**–**	**95,040**	**–**	**–**	**(95,040)**	**–**	**–**	**–**
Utilisation of maintenance and production funds	**–**	**–**	**(74,856)**	**–**	**–**	**74,856**	**–**	**–**	**–**
Distribution to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,685)**	**(2,685)**
Disposal of a subsidiary *(note 21)*	**–**	**–**	**(5,462)**	**–**	**–**	**5,462**	**–**	**(4,463)**	**(4,463)**
At 30 June 2024	**295,671**	**8,235,037**	**2,370,628**	**218,074**	**(360,018)**	**7,044,181**	**17,803,573**	**(19,126)**	**17,784,447**

The notes on pages 45 to 71 form part of these condensed consolidated financial statements.

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

For the six months ended 30 June 2024 – Unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Operating activities			
Cash generated from operations		**287,025**	537,079
Interest paid		**(80,557)**	(78,444)
Income tax refunded/(paid)		**3,245**	(160,596)
Net cash generated from operating activities		**209,713**	298,039
Investing activities			
Payments of purchase of long-term assets		**(514,870)**	(367,112)
Payments for deposit for purchase of fixed assets		**(56,516)**	(137,876)
Net cash inflow on disposal of a subsidiary	21	**25,871**	–
Withdrawal of fixed bank deposits		**512,481**	–
Placement of fixed bank deposits		**(513,804)**	–
Payments for capital injection in financial assets at FVTPL		**(1,000)**	–
Others		**29,294**	54,183
Net cash used in investing activities		**(518,544)**	(450,805)
Financing activities			
Proceeds from new loans and borrowings		**3,918,000**	3,084,264
Repayment of loans and borrowings		**(3,438,800)**	(1,881,000)
Repayments of lease liabilities		**(2,021)**	(1,964)
Others		**(2,685)**	(11,232)
Net cash generated from financing activities		**474,494**	1,190,068
Net increase in cash and cash equivalents		**165,663**	1,037,302
Cash and cash equivalents at 1 January		**2,254,037**	2,124,362
Effect of foreign exchange rates changes		**3,356**	21,739
Cash and cash equivalents at 30 June, representing bank balances and cash		**2,423,056**	3,183,403

The notes on pages 45 to 71 form part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

1 BASIS OF PREPARATION

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

The condensed consolidated financial statements have been prepared on a going concern basis as the directors of the Company are of the opinion that 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 taking into account various plans and measures. Measures that the Group has taken and is taking to manage its liquidity needs and improve its financial position include, but are not limited to, the followings:

(i) The directors of the Company are of the view that based on past experience and the current communication with banks, no significant difficulties are expected in renewing the banks' short-term revolving borrowings upon their maturities;

(ii) The Group is implementing cost control measures and other comprehensive policies so as to increase net operating cash inflows in coming years; and

(iii) The Group has appointed external lawyers and/or assigned internal lawyers to handle the outstanding litigations, and to mitigate the risk exposure from any legal claims. In respect of some of the litigations, the directors of the Company are of the opinion that the Group has valid grounds to defend against the claims.

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

2 PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("**IFRS Accounting Standards**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to IFRS Accounting Standards

In the Reporting Period, the Group has applied the following new and amendments to IFRS Accounting Standards issued by the IASB, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

Except as described below, the application of the amendments to IFRS Accounting Standards in the Reporting Period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts of Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"

The Group will apply amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements" which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's consolidated financial statements for the year ending 31 December 2024.

The amendments add a disclosure objective to IAS 7 "Statement of Cash Flows" stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 "Financial Instruments: Disclosures" was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's liabilities, cash flows and the Group's exposure to liquidity risk related to the supplier finance arrangements entered into by the Group in the annual consolidated financial statements for the year ending 31 December 2024.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Sales of cement	**5,358,386**	7,041,690
Sales of clinker	**621,177**	979,924
Sales of concrete	**348,070**	582,447
Sales of other products	**239,106**	247,046
	6,566,739	8,851,107

The Group's revenues for the six months ended 30 June 2024 and 2023 were generated in the PRC. Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

(b) Segment reporting

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

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

- Shandong Province – subsidiaries operating and located in the Shandong Province of the PRC, engage in the manufacture and sales of cement, clinker, concrete and other products.

- Northeastern China – subsidiaries operating and located in the Liaoning Province and Inner Mongolia Autonomous Region of the PRC, engage in the manufacture and sales of cement, clinker and other products.

- Shanxi Province – subsidiaries operating and located in the Shanxi Province and Shaanxi Province of the PRC, engage in the manufacture and sales of cement, clinker, concrete and other products.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

- Xinjiang Region – subsidiaries operating and located in the Kashi area of Xinjiang Uygur Autonomous Region of the PRC, engage in the manufacture and sales of cement, clinker, concrete and other products.

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

(i) Segment results, assets and liabilities

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

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

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

– Segment results represents profits earned by each segment without allocation of share of results of associates, gain on fair value changes of financial assets at fair value through profit or loss ("**FVTPL**"), gain on disposal of a subsidiary, unallocated other income, head office and corporate expenses and finance costs in relation to the unallocated bank loans. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the periods ended 30 June 2024 and 2023 is set out below:

	2024					2023				
	Shandong Province *RMB'000*	Northeastern China *RMB'000*	Shanxi Province *RMB'000*	Xinjiang Region *RMB'000*	Total *RMB'000*	Shandong Province *RMB'000*	Northeastern China *RMB'000*	Shanxi Province *RMB'000*	Xinjiang Region *RMB'000*	Total *RMB'000*
For the six months ended 30 June										
Disaggregated by timing of revenue										
Point in time	3,935,569	1,635,256	822,762	167,080	6,560,667	5,488,660	2,005,307	1,083,422	268,242	8,845,631
Over time	2,854	1,671	1,471	76	6,072	2,890	680	1,704	202	5,476
Revenue from external customers	3,938,423	1,636,927	824,233	167,156	6,566,739	5,491,550	2,005,987	1,085,126	268,444	8,851,107
Inter-segment revenue	309,899	21,923	1,532	–	333,354	411,768	34,934	8,641	–	455,343
Reportable segment revenue	4,248,322	1,658,850	825,765	167,156	6,900,093	5,903,318	2,040,921	1,093,767	268,444	9,306,450
Reportable segment (loss)/ profit (adjusted (loss)/ profit before taxation)	(239,757)	(152,491)	(102,599)	20,141	(474,706)	410,493	(319,855)	(34,431)	51,057	107,264
As at 30 June/31 December										
Reportable segment assets	15,042,958	7,257,979	5,123,482	725,618	28,150,037	17,469,893	7,254,520	4,934,976	777,629	30,437,018
Reportable segment liabilities	6,831,380	1,491,582	807,613	43,514	9,174,089	7,033,520	1,421,061	589,699	73,743	9,118,023

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
(Loss)/profit		
Reportable segment (loss)/profit	**(474,706)**	107,264
Elimination of inter-segment profit	**(33,022)**	(126,779)
Reportable segment loss derived from the Group's external customers	**(507,728)**	(19,515)
Share of results of associates	**(3,801)**	(1,241)
Gain on fair value changes of financial assets at FVTPL	**9,202**	1,360
Gain on disposal of a subsidiary	**15,882**	–
Unallocated other income	**17,034**	10,610
Unallocated finance costs	**(51,409)**	(54,952)
Unallocated head office and corporate expenses *(Note)*	**(74,399)**	(98,894)
Consolidated loss before taxation	**(595,219)**	(162,632)

Note: Unallocated head office and corporate expenses included depreciation and amortisation for the period, net reversal of impairment losses/(impairment losses) on trade receivables, net impairment losses on other receivables and other administrative expenses attributable to head quarter of the Group.

4 SEASONALITY OF OPERATIONS

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

5 OTHER INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Interest income	**25,569**	10,736
Government grants *(note)*	**40,630**	58,368
Amortisation of deferred income	**6,412**	5,651
Others	**10,144**	20,711
	82,755	95,466

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

6 OTHER NET EXPENSES, GAINS AND LOSSES

		Six months ended 30 June	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Net foreign exchange loss		**(6,830)**	(43,580)
Net loss from disposal of property, plant and equipment		**(5,837)**	(3,687)
Impairment loss on property, plant and equipment		**(253)**	(11,809)
Donations		**(2,346)**	(3,835)
Gain on fair value changes of financial assets at FVTPL		**9,202**	1,360
Gain on disposal of a subsidiary	21	**15,882**	–
Others		**(19,436)**	(16,805)
		(9,618)	(78,356)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

7 LOSS BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Interest on bank loans	**76,415**	78,444
Interest on lease liabilities	**1,292**	1,439
Less: capitalised interest expenses(*)	**(8,829)**	–
Net interest expenses	**68,878**	79,883
Unwinding of discount	**7,694**	6,843
Bank charges	**13,914**	31,973
	90,486	118,699

* The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation related to construction of plant was 4.15% for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

(b) Other items

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**561,669**	587,251
Depreciation of right-of-use assets	**42,472**	44,025
Amortisation of intangible assets	**99,802**	113,307
Total depreciation and amortisation	**703,943**	744,583

8 INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Current tax expenses		
Provision for the PRC income tax	**18,352**	118,104
Overprovision in prior years	**(1,583)**	(1,899)
	16,769	116,205
Deferred taxation	**4,648**	29,079
	21,417	145,284

Notes:

(i) The Group's PRC subsidiaries are subject to PRC income tax at the statutory rate of 25% (six months ended 30 June 2023: 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 periods.

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

(iii) The Company and its subsidiaries incorporated in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (six months ended 30 June 2023: 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 periods.

9 DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

10 LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Loss figures are calculated as follows:		
Loss for the period attributable to owners of the Company and loss for the purposes of basic and diluted loss per share	**(530,628)**	(236,847)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**4,353,966,228**	4,353,966,228

The computation of diluted loss per share does not assume the exercise of the share options granted by the Company in 2015 because the exercise price of these share options was higher than the average market price of the shares for the periods ended 30 June 2024 and 2023.

11 PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

(a) During the six months ended 30 June 2024, the additions of property, plant and equipment, right-of-use assets and intangible assets of the Group amounted to RMB370,675,000 (six months ended 30 June 2023: RMB502,720,000), RMB34,301,000 (six months ended 30 June 2023: RMB7,004,000) and RMB464,948,000 (six months ended 30 June 2023: RMB78,242,000), respectively. Items of property, plant and equipment with net book value totalling RMB9,562,000 were disposed of during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB47,134,000), resulting in a loss from disposal of RMB5,837,000 (six months ended 30 June 2023: RMB3,687,000).

(b) During the six months ended 30 June 2024, items of property, plant and equipment, right-of-use assets and intangible assets with net book value of RMB8,636,000, RMB9,789,000 and RMB68,000, respectively, were de-recognised due to disposal of a subsidiary, detail of which is set out in note 21.

12 INVENTORIES

	At 30 June 2024	At 31 December 2023
	RMB'000	*RMB'000*
Raw materials	**818,610**	695,511
Semi-finished goods	**394,145**	534,649
Finished goods	**455,724**	463,241
Spare parts	**387,076**	450,190
	2,055,555	2,143,591

13 TRADE AND BILLS RECEIVABLES

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Bills receivables	**574,473**	367,273
Trade receivables	**1,551,904**	1,638,303
Less: allowance for credit losses	**(227,685)**	(262,428)
	1,898,692	1,743,148

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

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Within 3 months	**769,431**	552,942
3 to 6 months	**224,878**	270,014
6 to 12 months	**294,357**	259,743
Over 12 months	**610,026**	660,449
	1,898,692	1,743,148

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

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

14 PREPAYMENTS AND OTHER RECEIVABLES

	Note	**At 30 June 2024** ***RMB'000***	At 31 December 2023 *RMB'000*
Deposit		**98,783**	52,429
Prepayments for raw materials		**174,095**	112,815
Prepayments for utilities		**80,762**	87,554
VAT recoverable		**373,573**	404,824
Amount due from related parties	24(b)	**73,264**	85,399
Amount due from third parties		**378,366**	409,876
Others		**123,683**	96,675
		1,302,526	1,249,572

15 RESTRICTED BANK DEPOSITS

Restricted bank deposits as at 30 June 2024 include RMB320,180,000 (31 December 2023: RMB416,754,000) of cash deposits pledged to banks to secure banking facilities granted to the Group and for the performance guarantee in relation to certain contracts of sales or purchases of cement, and RMB7,672,000 (31 December 2023: RMB7,100,000) of bank balances which have been frozen by the PRC Court pending the outcome of the legal proceedings initiated by the Group's creditors relating to certain sales or purchase contracts.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

16 BANK LOANS

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

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Bank loans – Secured (*)	**530,510**	548,706
Bank loans – Unsecured	**4,990,750**	4,583,751
	5,521,260	5,132,457

* These bank loans were secured by certain land lease prepayments with aggregate carrying amount of RMB132,594,000 (31 December 2023: RMBB133,993,000), plants and buildings with aggregate carrying amount of RMB394,292,000 (31 December 2023: RMB400,852,000) and pledged bank deposits of RMB276,000,000 (31 December 2023: RMB366,397,000).

As at 30 June 2024, there is no default in bank loans repayment.

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

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Within one year	**3,871,050**	4,332,147
After one year but within two years	**351,720**	180,000
After two years but within five years	**1,298,490**	620,310
	5,521,260	5,132,457

17 TRADE PAYABLES

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

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Within 3 months	**2,245,181**	2,198,451
3 to 6 months	**405,095**	544,666
6 to 12 months	**577,076**	428,012
Over 12 months	**909,469**	684,100
	4,136,821	3,855,229

As at 30 June 2024 and 31 December 2023, all trade payables of the Group were expected to be settled within one year.

As at 30 June 2024, certain suppliers and third parties have initiated lawsuits against the Group to demand immediate settlement of trade payables with a carrying amount of RMB17,214,000 (31 December 2023: RMB17,194,000) 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 these condensed consolidated financial statements to accrue for any potential interest or other penalties that may arise through the Courts if the negotiations are not successful, as the directors of the Company consider that the eventual outcome of these litigations cannot presently be determined.

18 OTHER PAYABLES AND ACCRUED EXPENSES

	Notes	**At 30 June 2024 *RMB'000***	At 31 December 2023 *RMB'000*
Accrued payroll and welfare		**150,220**	281,377
Taxes payable other than income tax		**145,878**	86,542
Staff compensation and termination provisions		**52,922**	109,808
Amounts due to related parties	25(b)	**919,400**	915,486
Payables to former shareholders of acquired subsidiaries		**57,360**	57,316
Acquisition consideration payables		**27,437**	27,437
Payable for acquisition of mining right		**171,800**	38,150
Accrued expenses and other payables	(i)	**624,285**	553,811
		2,149,302	2,069,927

Note:

(i) The amount mainly represents payable for acquisition of property, plant and equipment of RMB43,823,000 (31 December 2023: RMB44,112,000), payable for mine management of RMB123,946,000 (31 December 2023: RMB123,946,000), contract guarantee deposits from suppliers of RMB153,840,000 (31 December 2023: RMB132,358,000), payables for equipment maintenance of RMB113,593,000 (31 December 2023: RMB107,168,000) and interest payables of RMB1,176,000 (31 December 2023: RMB5,318,000).

As at 30 June 2024, certain suppliers and third parties have lawsuits against the Group to demand immediate settlement of other payables with carrying amount of RMB7,378,000 (31 December 2023: RMB11,811,000) plus interest for late payment, if any.

19 DEFINED BENEFIT OBLIGATIONS

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 Cement Co., Ltd., Liaoyang Qianshan Cement Co., Ltd. (excluding the compensation stated in note 18) and Liaoning Gongyuan.

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

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

20 SHARE CAPITAL

	30 June 2024 and 31 December 2023	
	Number of shares	**RMB equivalent**
		RMB'000
Ordinary shares of the Company of USD0.01 each		
Authorised:		
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	10,000,000,000	701,472
Issued and fully paid:		
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	4,353,966,228	295,671

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

21 DISPOSAL OF A SUBSIDIARY

On 19 March 2024, the Group entered into an agreement with an independent third party to dispose of its 70% equity interest in Guangrao Shanshui Cement Co., Ltd. ("**Guangrao Shanshui**") for a consideration of RMB26,295,000. The disposal was completed on 8 April 2024, on which date the Group ceased to have control over Guangrao Shanshui. The net assets of Guangrao Shanshui at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	8,636
Right-of-use assets	9,789
Intangible assets	68
Inventories	100
Prepayments	43
Bank balances and cash	424
Trade payables	(15)
Other payables and accrued expenses	(386)
Deferred tax liabilities	(3,783)
Net assets disposed of	14,876

Gain on disposal of a subsidiary:

	RMB'000
Consideration received	26,295
Net assets disposed of	(14,876)
Non-controlling interests	4,463
Gain on disposal	15,882

Net cash inflow arising on disposal:

	RMB'000
Cash consideration	26,295
Less: cash and cash equivalents disposed of	(424)
	25,871

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

(i) Fair value measurement and valuation process

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

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

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

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

Financial assets	Fair value as at 30/06/2024 *RMB'000*	Fair value as at 31/12/2023 *RMB'000*	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to the fair value
1 Equity securities listed in the PRC classified as financial assets at FVTPL	9,584	7,365	Level 1	Quoted bid prices in an active market	N/A	N/A
2 Unquoted equity investments in PRC non-listed companies classified as financial assets at FVTPL	15,798	7,815	Level 3	Guideline public company method	Discount for lack of marketability 15% (31 December 2023: 15%)	The higher discount for lack of marketability, the lower the fair value.

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Reconciliation of level 3 fair value measurements

	Unlisted equity securities *RMB'000*
At 1 January 2023 (audited)	12,126
Fair value loss (included in profit or loss)	–
At 30 June 2023 (unaudited)	12,126
At 1 January 2024 (audited)	**7,815**
Addition	**1,000**
Fair value gain (included in profit or loss)	**6,983**
At 30 June 2024 (unaudited)	**15,798**

(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 condensed consolidated financial statements approximate their corresponding fair values.

23 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2024 not provided for in the condensed consolidated financial statements were as follows:

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Capital expenditure in respect of the acquisitions of property, plant and equipment authorised and contracted for but not provided for in the condensed consolidated financial statements	**719,988**	1,275,929

24 CONTINGENT LIABILITIES AND OTHER EVENTS

(a) Litigation contingencies

As at 30 June 2024, several litigation claims were initiated by the service providers against the Group to demand immediate repayment of the outstanding balance in relation to certain construction contracts and labour disputes from former employees, with an aggregate amount of RMB51,545,000 (31 December 2023: RMB54,781,000), which had not been concluded. No provision for these litigation claims was made in these condensed consolidated financial statements as in the opinion of the directors of the Company, the possibility of an outflow of economic resources is remote.

(b) Litigation in the Cayman Islands

The Company is facing a winding-up petition (the "**Cayman Petition**") before the Grand Court. 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.

(i) 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 has been issued also 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.

24 CONTINGENT LIABILITIES AND OTHER EVENTS (CONTINUED)

(b) Litigation in the Cayman Islands (Continued)

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

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

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

A hearing took place on 23 May 2022 following which the Grand Court settled the list of 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.

The Grand Court delivered rulings on 17 October 2023 and 26 October 2023, and a judgment dated 30 October 2023, regarding the scope of discovery in respect of the Cayman Petition. As at 29 July 2024, the parties are in the process of agreeing on certain aspects of the Grand Court's order, before discovery can progress. Further timetable to trial is yet to be set.

24 CONTINGENT LIABILITIES AND OTHER EVENTS (CONTINUED)

(c) Litigation in Hong Kong

On 18 July 2023, the Company announced that the Company and its subsidiaries, namely China Shanshui Cement Group (Hong Kong) Company Limited ("**CSC HK**") and China Pioneer Cement (Hong Kong) Company Limited ("**Pioneer**"), were served with a writ of summons dated 28 June 2023 under the action number HCA 1013 of 2023 (the "**Writ of Summons**") issued by Tianrui Group Company Limited ("**Tianrui Group**") in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region. Subsequently, the Writ of Summons was also served on Shandong Shanshui Cement Group Company Limited ("**Shandong Shanshui**"), another wholly-owned subsidiary of the Company.

In the Writ of Summons, Tianrui Group alleges that it extended loans to the Company, CSC HK, Pioneer and Shandong Shanshui (collectively, "**CSC Group**") with the alleged outstanding amount (the "**Alleged Loans**") as described in the announcement published by the Company on 18 July 2023, and claims for repayment of the Alleged Loans.

In its Defence and Counterclaim filed on 3 January 2024, CSC Group denies on substantial grounds that Tianrui Group is entitled to claim for repayment of the Alleged Loans, and counterclaims against Tianrui Group for (and is therefore in any event entitled to set off the Alleged Loans against) damages and/or equitable compensation as a result of the unlawful means conspiracy committed by Tianrui Group and other parties with the intention of injuring CSC Group and its subsidiaries during the period from 2015 to 2018. CSC Group's counterclaim in this action is substantially based on its claim against Tianrui Group and other parties in HCA 548 of 2019. Accordingly, CSC Group intends to apply for consolidation of this action with HCA 548 of 2019, and/or for the two actions to be heard together and/or one after the other before the same judge (the "**Hearing Together Summons**"). All parties in HCA 548 of 2019 are neutral to the Hearing Together Summons, except Tianrui Group, Tianrui (International) Holding Company Limited, Li Liufa and Ho Man Kay, Angela.

Meanwhile, on 28 February 2024, Tianrui Group also made an application to the Court to strike out CSC Group's counterclaim in this action allegedly, inter alia, on the ground that CSC Group's counterclaim in this action and its claim in HCA 548 of 2019 are duplicated (the "**Strike-Out Summons**"). CSC Group considers that the application is baseless, and will contest strenuously. The substantive hearing of the Hearing Together Summons and the Strike-Out Summons is fixed to be heard together on 30 April 2025.

Other than the disclosure above, as at the date of this report, as far as the Group was aware, the Group had no other material litigation or claim which was pending or threatened against the Group. As at 30 June 2024, the Group was the defendant of certain non-material litigations, a party to certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business. The likely outcome of these litigations or other legal proceedings cannot be ascertained at present, but the Directors believe that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

25 RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Sales		
Associates of the Group	**62,133**	61,215
Fellow subsidiary of a major shareholder of the Company	**2,692**	1,708
Subsidiaries of a major shareholder of the Company	**6,426**	2,288
	71,251	65,211
Purchase		
Associates of the Group	**7,483**	4,583
Fellow subsidiary of a major shareholder of the Company	**1,746**	6,923
Subsidiaries of a major shareholder of the Company	**57,551**	32,327
Associate of a major shareholder of the Company	**13,756**	1,990
	80,536	45,823
Mining service fee		
Fellow subsidiary of a major shareholder of the Company	**3**	3
Subsidiaries of a major shareholder of the Company	**249,257**	278,929
	249,260	278,932
Engineering service fee		
Fellow subsidiary of a major shareholder of the Company	**530**	777
Subsidiaries of a major shareholder of the Company	**105,211**	105,497
	105,741	106,274
Management fee		
Associates of the Group	**–**	266
Transportation fee		
Associates of the Group	**107,549**	115,835

The directors of the Company are of the opinion that these transactions were carried out on normal commercial terms and in the ordinary course of business of the Group.

25 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties

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

	As at 30 June 2024 ***RMB'000***	As at 31 December 2023 *RMB'000*
Trade receivables from (Note (i)):		
Subsidiaries of a major shareholder of the Company	**3,739**	5,149
Prepayments to (Note (i)):		
Fellow subsidiary of a major shareholder of the Company	**3,945**	4,551
Subsidiaries of a major shareholder of the Company	**66,092**	79,069
Associate of a major shareholder of the Company	**769**	–
	70,806	83,620
Other receivables from (Note (i)):		
Shareholder of the Company	**792**	786
Associates of the Group	**193**	193
Fellow subsidiary of a major shareholder of the Company	**7**	–
Subsidiaries of a major shareholder of the Company	**1,466**	800
	2,458	1,779
	73,264	85,399

25 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties (Continued)

	As at 30 June 2024 *RMB'000*	As at 31 December 2023 *RMB'000*
Trade payable to (Note (i)):		
Associates of the Group	**64,713**	58,130
Fellow subsidiary of a major shareholder of the Company	**2,232**	2,551
Subsidiaries of a major shareholder of the Company	**339,512**	290,716
Associate of a major shareholder of the Company	**982**	–
	407,439	351,397
Contract liabilities from (Note (i)):		
Associates of the Group	**2,750**	–
Fellow subsidiary of a major shareholder of the Company	**2,013**	12
Subsidiaries of a major shareholder of the Company	**510**	390
Associate of a major shareholder of the Company	**99**	–
	5,372	402
Other payables to:		
Shareholder of the Company *(Note (ii))*	**914,746**	909,427
Associates of the Group	**146**	1,390
Subsidiaries of a major shareholder of the Company	**4,508**	4,669
	919,400	915,486

Note(s):

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

(ii) The amount represented loans from Tianrui Group which are denominated in USD and HKD. As at 30 June 2024, the outstanding loans with total principal of RMB914,746,000 (31 December 2023: RMB909,427,000) are unsecured, interest free and repayable on demand. The loans are at present subject to dispute by the Group as set out in note 24(c).

25 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel remuneration

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

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Salary, allowances and other benefits	**6,657**	5,564
Contribution to defined contribution retirement plans	**341**	325
	6,998	5,889

(VIII) Miscellaneous

I. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024.

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

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

III. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining good corporate governance standards.

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 of the Listing Rules.

Save as disclosed below, 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.

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, during the Reporting Period until 31 May 2024, Mr. LI Huibao, the Chairman, undertook 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).

Upon the conclusion of the annual general meeting held on 31 May 2024, Mr. LI Huibao has retired as the Chairman and an executive Director of the Company (the "**Resignation**").

Immediately following the Resignation, the Board and the Nomination Committee considered several potential candidates to undertake the role and responsibilities of the Chairman. However, as explained above, in order to ensure the development, stability and sustainability of the Company, the Board considered it essential to conduct an in-depth review of all aspects of interests and balance of power before an appropriate candidate can be selected and appointed as the Chairman. In the absence of a Chairman, the Board has nominated Ms. WU Ling-ling, an executive Director of the Company, to discharge the responsibilities of a Chairman as required under code provisions C.2.2. to C.2.9. of the CG Code. Following the Resignation, Ms. WU Ling-ling has also undertaken the responsibilities of the Chief Executive Officer.

For the reasons as set out above, the Board considered that good corporate governance has been achieved throughout the Reporting Period. On 5 August 2024, Mr. Teng Yongjun ("**Mr. Teng**") was appointed as the Chairman of the Board and an Executive Director, who will discharge the responsibilities as required under code provisions C.2.2. to C.2.9. of the CG Code. Mr. Teng will also undertake the responsibilities of the Chief Executive Officer.

IV. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules. Having made specific inquiries to all Directors, all Directors confirmed that they have complied with the Model Code throughout the Reporting Period.

V. REVIEW OF INTERIM RESULTS AND REPORT BY AUDIT COMMITTEE

The audit committee comprises the three independent non-executive Directors of the Company who reviewed the unaudited interim results and report of the Group for the six months ended 30 June 2024 and discussed with the Company's management regarding risk management, internal control and other important matters.

VI. CHANGES IN INFORMATION OF DIRECTORS

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

1. With effect from 29 April 2024, Ms. WU Ling-ling has been re-designated as a non-executive director from executive director of Asia Cement (China) Holdings Corporation, a company whose shares are listed on the Stock Exchange (stock code: 743).

2. With effect from 31 May 2024, Mr. LI Huibao has resigned as the chairman of the Board and an executive director of the Company and ceased to be the chairman of the environmental, social and governance committee of the Company.

3. With effect from 31 May 2024, Mr. HOU Jianguo has resigned as an executive director of the Company and ceased to be a member of each of the nomination committee and the environment, social and governance committee of the Company.

4. With effect from 31 May 2024, Ms. ZHENG Yingying has been appointed as an executive director and a member of each of the nomination committee and the environment, social and governance committee of the Company.

5. With effect from 31 May 2024, Mr. CHANG Ming-cheng has been appointed as the chairman of the environment, social and governance committee.

6. With effect from 11 June 2024, Mr. CHANG Ming-cheng has retired as an independent director of Alexander Marine Co., Ltd. (東哥企業股份有限公司), the shares of which are listed on the Taiwan Stock Exchange (stock code: 8478).

7. With effect from 5 August 2024, Mr. TENG Yongjun has been appointed as the chairman of the Board, an executive director and the chairman of the environment, social and governance committee of the Company.

8. With effect from 5 August 2024, Mr. CHANG Ming-cheng has ceased to be the chairman of the environment, social and governance committee of the Company and continued to be a member of the committee.

VII. AMENDMENTS TO MEMORANDUM AND ARTICLES OF ASSOCIATION

During the Reporting Period, the Company has adopted the Memorandum and Articles of Association by way of special resolution on 31 May 2024, which is available on the websites of the Company and the Stock Exchange. For further details, please refer to the announcements published by the Company on 15 March 2024 and 2 June 2024.