



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

2025 ANNUAL REPORT



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(I) Definitions

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

“Company” or “China Shanshui” or “Shanshui Cement”	China Shanshui Cement Group Limited
“Group”	the Company and its subsidiaries
“Financial Statements”	the consolidated financial statements of the Group
“Reporting Period”	the period from 1 January 2025 to 31 December 2025
“Board”	the Board of Directors of the Company
“Director(s)”	the Director(s) of the Company
“China Shanshui (HK)”	China Shanshui Cement Group (Hong Kong) Company Limited
“Pioneer Cement”	China Pioneer Cement (Hong Kong) Company Limited
“Continental Cement”	Continental Cement Corporation
“American Shanshui”	American Shanshui Development Inc.
“Shandong Shanshui”	Shandong Shanshui Cement Group Company Limited
“ACC”	Asia Cement Corporation
“CNBM”	China National Building Material Company Limited
“CSI”	China Shanshui Investment Company Limited
“Tianrui”	Tianrui (International) Holding Company Limited
“Tianrui Group”	Tianrui Group Company Limited
“Shandong Region”	business covered by Eastern Shandong Operating Region, Western Shandong Operating Region and Southern Shandong Operating Region
“Eastern Shandong Operating Region”	business located at the Eastern Shandong Province, including Weifang, Qingdao, Yantai and Weihai, etc
“Western Shandong Operating Region”	business located at the Central and Western Shandong Province, including Zibo, Jinan and Hebei Province and Tianjin, etc

(I) Definitions (Continued)

“Southern Shandong Operating Region”	business located at the Southern Shandong Province, including Zaozhuang, Jining, Heze and Henan Province, etc
“Northeast China Operating Region”	business located at Liaoning Province, the Eastern Inner Mongolia and Jilin Province, etc
“Shanxi Operating Region”	business located at Shanxi Province and Shaanxi Province, etc
“Xinjiang Operating Region”	business located at Kashi, Xinjiang
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SFO”	Securities and Futures Ordinance (Cap. 571) (as amended, supplemented or otherwise modified from time to time)
“Shares”	the ordinary shares in the share capital of the Company with a nominal value of US\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Articles of Association”	the amended and restated memorandum and articles of association of the Company adopted on 31 May 2024
“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*)
Ms. WU Ling-ling
Ms. ZHENG Yingying

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
Mr. CHANG Ming-cheng
Mr. LI Jianwei

Environmental, Social and Governance Committee

Mr. TENG Yongjun (*Chairman*)
Ms. WU Ling-ling
Ms. ZHENG Yingying
Mr. CHANG Ming-cheng
Mr. LI Jianwei
Mr. HSU You-yuan

(II) Corporate Information (Continued)

2. BASIC CORPORATE INFORMATION

- | | | | |
|------|--|---|---|
| (1) | Official Chinese name of the Company | : | 中國山水水泥集團有限公司 |
| | Official English name of the Company | : | China Shanshui Cement Group Limited |
| | Abbreviation in English | : | CSC |
| (2) | Registered Office | : | P.O. Box 31119 Grand Pavilion, Hibiscus Way,
802 West Bay Road, Grand Cayman, KY1-1205,
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 | : | Room 1912, 19/F, Lee Garden One,
33 Hysan Avenue, Causeway Bay, 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 |
| (13) | Auditor | : | Moore CPA Limited
(Public Interest Entity Auditor registered in
accordance with the Financial Reporting Council
Ordinance) |

(III) Financial and Business Data Summary

1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Unit: RMB'000)

	For the year ended 31 December				
	2025	2024	2023	2022	2021
Revenue	11,560,701	14,509,866	18,116,387	21,488,959	24,659,544
Gross profit	1,624,043	2,093,842	1,912,607	3,899,098	7,259,549
Gross profit margin	14.0%	14.4%	10.6%	18.1%	29.4%
(Loss)/profit from operations	(517,542)	182,404	(646,555)	1,464,033	4,198,280
(Loss)/profit margin from operations	(4.5%)	1.3%	(3.6%)	6.8%	17.0%
(Loss)/profit for the year	(1,091,076)	(189,041)	(1,050,106)	763,840	2,894,847
Attributable to:					
Equity shareholders of the Company	(983,007)	(140,608)	(883,959)	755,411	2,777,298
Non-controlling interests	(108,069)	(48,433)	(166,147)	8,429	117,549
Basic (loss)/earnings per share (RMB)	(0.23)	(0.03)	(0.20)	0.17	0.64
Diluted (loss)/earnings per share (RMB)	(0.23)	(0.03)	(0.20)	0.17	0.64

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unit: RMB'000)

	As at 31 December				
	2025	2024	2023	2022	2021
Non-current assets	21,078,489	22,172,082	22,343,372	22,680,058	21,177,204
Current assets	7,663,329	8,050,237	8,430,042	8,850,135	7,852,960
Total assets	28,741,818	30,222,319	30,773,414	31,530,193	29,030,164
Total equity attributable to equity shareholders of the Company	17,183,007	18,175,647	18,329,334	19,161,336	18,479,248
Non-controlling interests	(199,041)	16,559	74,030	271,264	265,648
Non-current liabilities	2,067,213	2,776,851	1,634,470	1,586,593	875,649
Current liabilities	9,690,639	9,253,262	10,735,580	10,511,000	9,409,619
Total liabilities	11,757,852	12,030,113	12,370,050	12,097,593	10,285,268
Total equity and liabilities	28,741,818	30,222,319	30,773,414	31,530,193	29,030,164
Net gearing ratio	14.8%	14.9%	13.5%	7.1%	5.9%

(III) Financial and Business Data Summary (Continued)

3. CONSOLIDATED STATEMENT OF CASH FLOWS

(Unit: RMB'000)

	For the year ended 31 December				
	2025	2024	2023	2022	2021
Net cash generated from operating activities	991,849	538,173	424,228	2,658,434	3,553,072
Net cash used in investing activities	(424,091)	(648,958)	(1,631,609)	(2,947,329)	(2,097,184)
Net cash (used in)/generated from financing activities	(380,443)	27,992	1,310,377	1,047,726	(1,439,860)
Net increase/(decrease) in cash and cash equivalents	187,315	(82,793)	102,996	758,831	16,028

4. KEY BUSINESS DATA

	2025	2024	2023	2022	2021
Sales volume of cement ('000 tonnes)	38,147	44,957	52,612	47,570	55,832
Sales volume of clinker ('000 tonnes)	4,821	6,826	10,338	7,635	8,362
Sales volume of concrete ('000 m ³)	1,695	2,272	3,051	3,328	3,553
Unit selling price of cement (RMB/tonne)	249.3	261.9	270.1	360.8	360.7
Unit selling price of clinker (RMB/tonne)	215.5	220.0	216.5	306.2	284.7
Unit selling price of concrete (RMB/m ³)	250.9	298.5	366.7	421.7	424.8

(IV) Corporate Profile

(1) COMPANY BACKGROUND

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

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

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

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

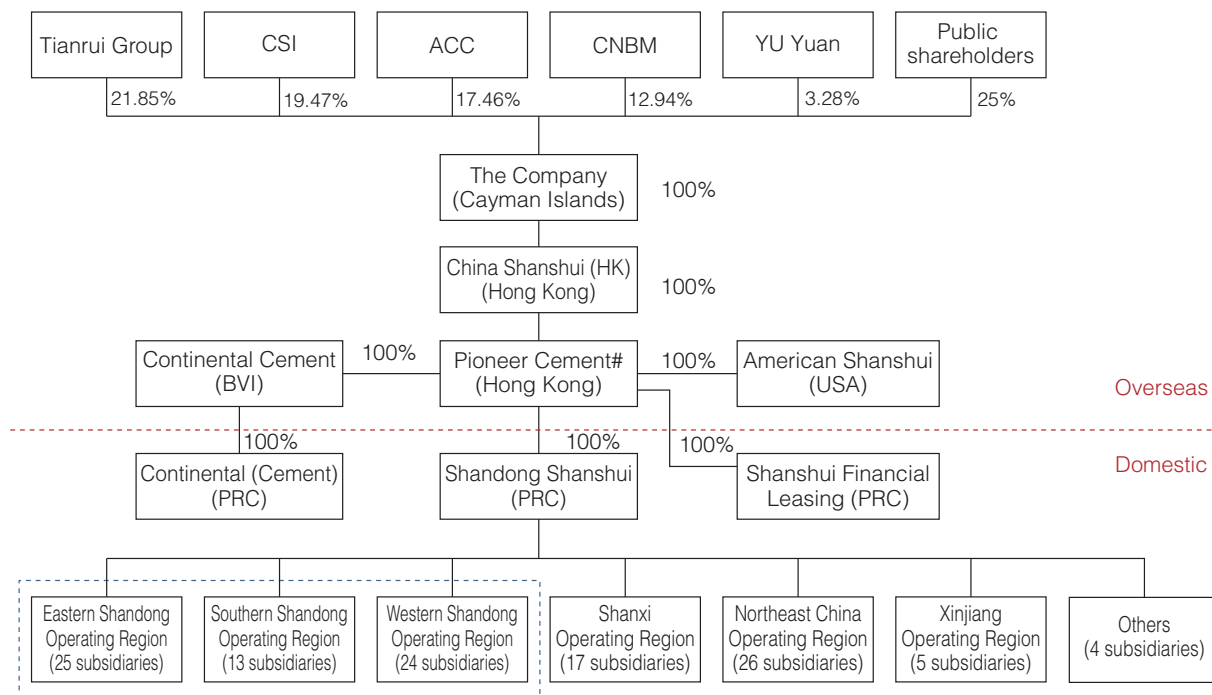
Shandong Shanshui and its subsidiaries (“**Shandong Shanshui Group**”) have six operating regions including Eastern Shandong Operating Region, Western Shandong Operating Region, Southern Shandong Operating Region, Northeast China Operating Region, Shanxi Operating Region, and Xinjiang Operating Region,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

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

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

(IV) Corporate Profile (Continued)

(2) SHAREHOLDING STRUCTURE OF THE GROUP



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

(IV) Corporate Profile (Continued)

(3) DISTRIBUTION OF PRODUCTION FACILITIES AND CAPACITY

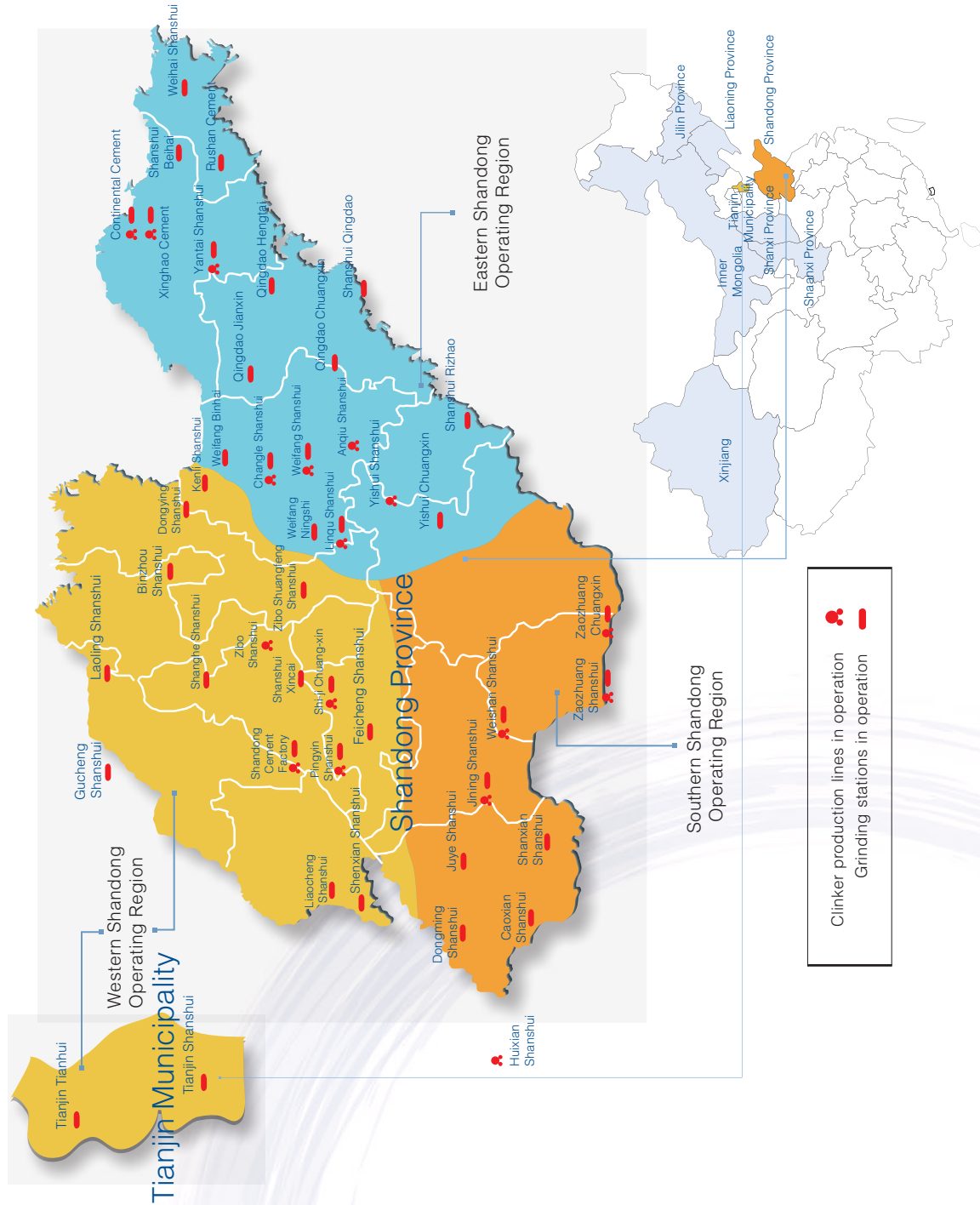
The Group's production facilities are principally located in Shandong Province, Liaoning Province, the Eastern Inner Mongolia, Shanxi Province, Shaanxi Province and Kashi region in Xinjiang Province. Its clinker production facilities are located near limestone mines serving cement grinding stations that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

As of 31 December 2025, the total capacity of cement and clinker of the Group is listed below:

	2025		2024		Change	
	Cement Capacity (<i>'000 tonnes</i>)	Clinker Capacity (<i>'000 tonnes</i>)	Cement Capacity (<i>'000 tonnes</i>)	Clinker Capacity (<i>'000 tonnes</i>)	Cement Capacity (<i>'000 tonnes</i>)	Clinker Capacity (<i>'000 tonnes</i>)
Shandong Region	51,000	25,152	51,230	25,152	-230	-
Eastern Shandong Operating Region	24,300	12,032	25,370	12,032	-1,070	-
Western Shandong Operating Region	18,200	7,680	18,330	7,680	-130	-
Southern Shandong Operating Region	8,500	5,440	7,530	5,440	970	-
Shanxi Operating Region	15,800	9,227	15,950	9,760	-150	-533
Northeast China Operating Region	25,750	15,456	25,750	15,616	-	-160
Xinjiang Operating Region	4,000	1,600	4,000	1,600	-	-
Total	96,550	51,435	96,930	52,128	-380	-693

(IV) Corporate Profile (Continued)

Locations of major production facilities in Shandong Region as of 31 December 2025:



(IV) Corporate Profile (Continued)

Eastern Shandong Operating Region

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

(IV) Corporate Profile (Continued)

Western Shandong Operating Region

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

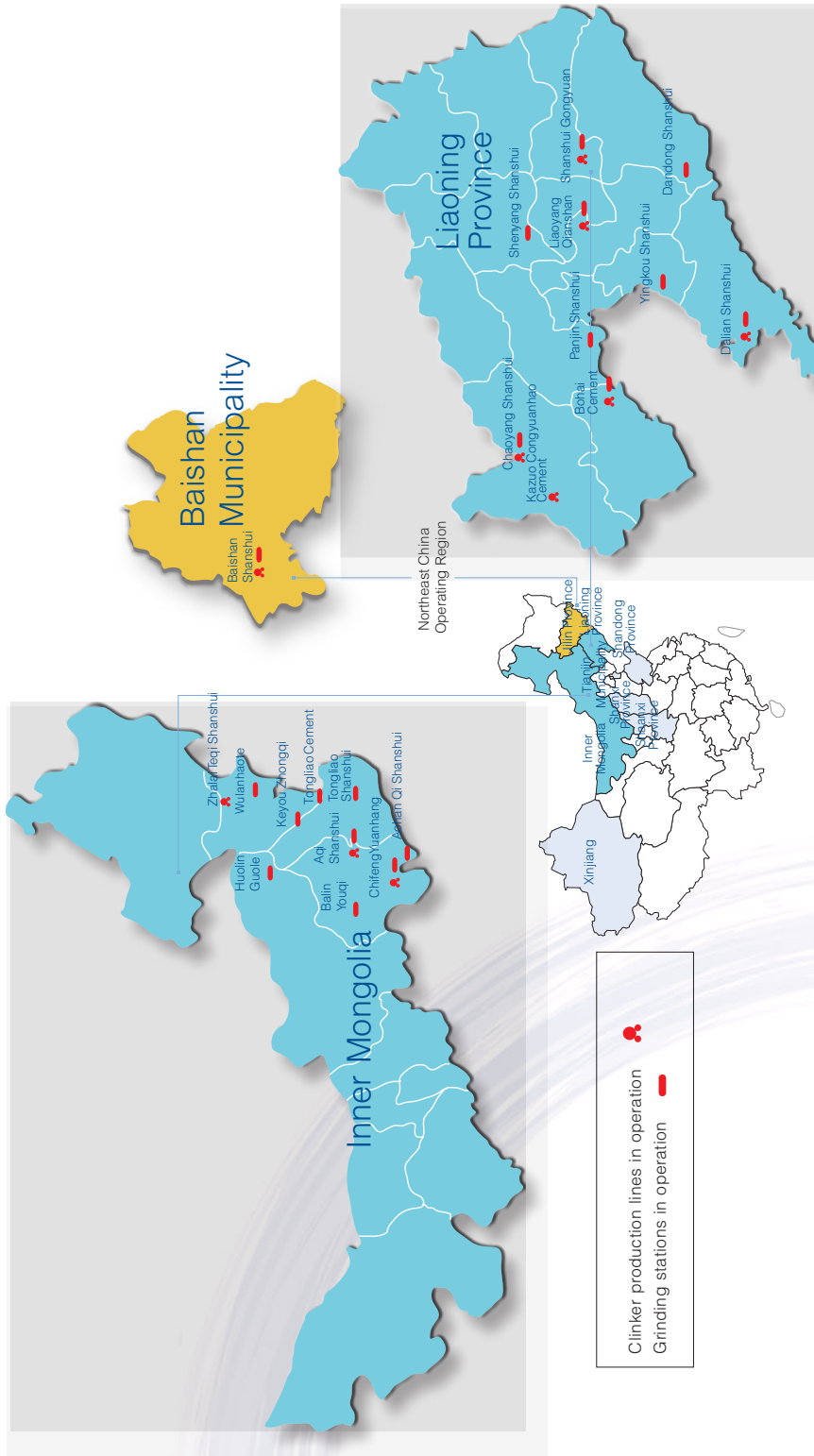
(IV) Corporate Profile (Continued)

Southern Shandong Operating Region

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

(IV) Corporate Profile (Continued)

Locations of major production facilities in Northeast China Operating Region as of 31 December 2025:



(IV) Corporate Profile (Continued)

Northeast China Operating Region

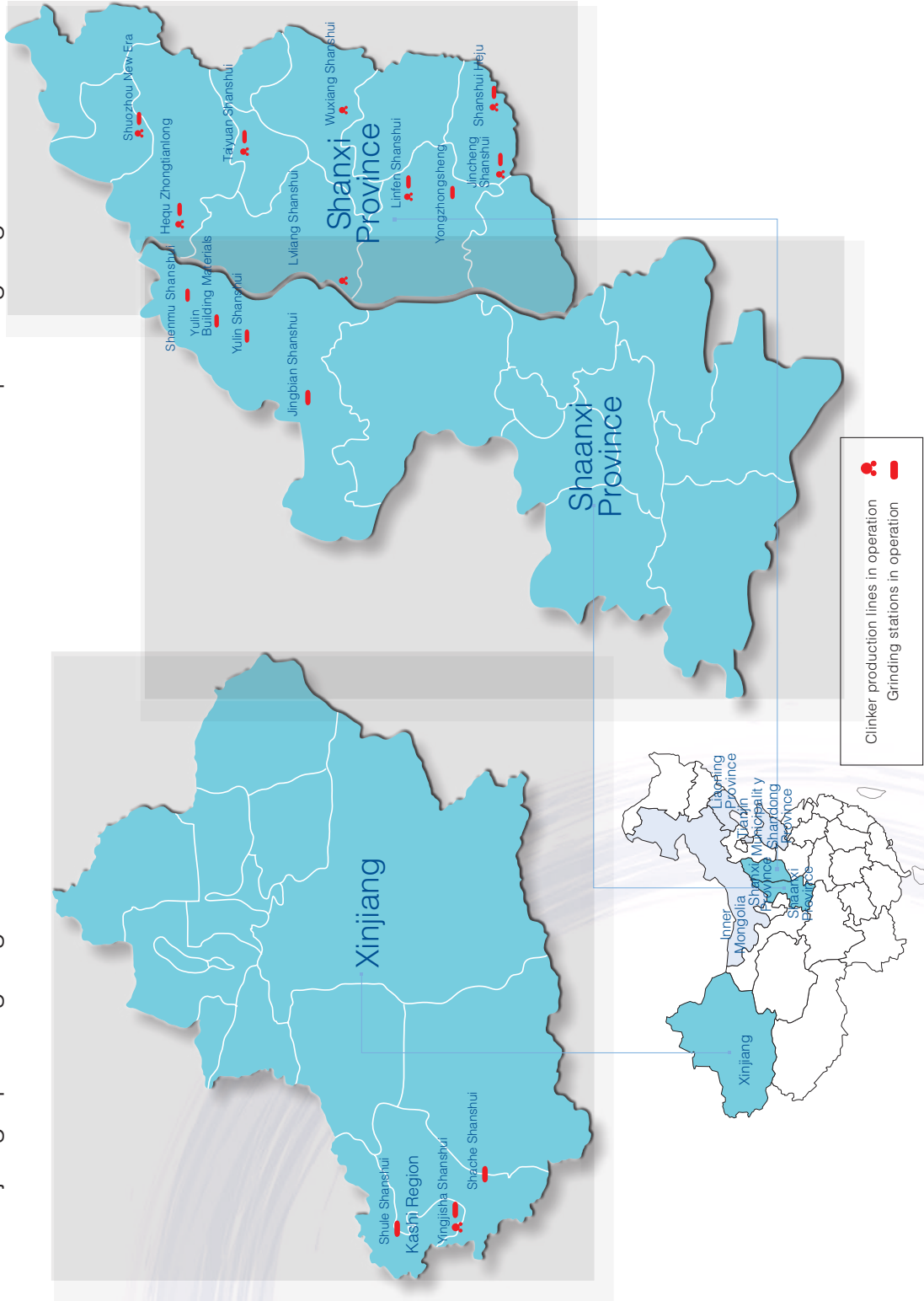
Company Name	Principal Business
Alu Ke'erqin Qi Shanshui Cement Co., Ltd. ("Aqi Shanshui")	Production and sales of cement and clinker
Aohan Qi Shanshui Cement Co., Ltd. ("Aohan Shanshui")	Production and sales of cement
Baishan Shanshui Cement Co., Ltd. ("Baishan Shanshui")	Production and sales of cement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

(IV) Corporate Profile (Continued)

Locations of major production facilities in Shanxi and Xinjiang Operating Regions as of 31 December 2025:

Xinjiang Operating Region

Shanxi Operating Region



(IV) Corporate Profile (Continued)

Shanxi Operating Region

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

(IV) Corporate Profile (Continued)

Xinjiang Operating Region

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

Others

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

(V) Management Discussion and Analysis

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW

Demand Side: Growth rate of fixed asset investment turned negative for the first time, cement demand remained weak

In 2025, the national cement market witnessed a severe situation characterised by declining output, weak prices and squeezed profitability. China's real estate investment continued to adjust in 2025, and the growth rate of fixed asset investment shifted from positive to negative, leading to a continuous decline in cement demand.

According to the statistics of the National Bureau of Statistics, the national cement output in 2025 reached 1.693 billion tonnes, a year-on-year decrease of 6.9%. This output hit a new low since 2010, with the growth rate narrowing by 2.6% compared with the same period last year. From a quarterly perspective, the year-on-year decline expanded quarter by quarter, with the declines in the first, second, third and fourth quarters reaching 1.7%, 5.7%, 6.8% and 13% respectively.

By region, cement output in the six major regions all dropped significantly year-on-year. Among them, Northeastern China recorded the highest decline, nearly double-digit year-on-year; Southwest China saw the lowest decline, while the declines in other regions all exceeded the national average.

Supply Side: Insignificant supply contraction, inventory running at a high level

The intensity of supply contraction across the country showed periodic loosening. The implementation of peak-shifting production was unsatisfactory both in the off-season and peak season, resulting in high inventory levels for most of the year.

In the first quarter, the industry achieved initial market stability through an active and strengthened peak-shifting production strategy. Cement enterprises in many regions increased kiln shutdown days in a planned manner according to market conditions. They adjusted production dynamically to reduce supply volume, keeping inventory generally within a reasonable range. This effectively avoided vicious competition and promoted market stability. However, the sound situation in the first quarter was not sustained. Since the second quarter, the problem of "unsatisfactory implementation of peak-shifting production" has been prevalent in many parts of the country, which was in sharp contrast to the strong industry consensus formed in the first quarter. Some enterprises failed to strictly abide by the kiln shutdown plan, damaging the industry ecosystem. Meanwhile, the demand side failed to provide effective support, leading to a prominent oversupply situation in the market and keeping national inventory at a high level throughout the year.

(V) Management Discussion and Analysis (Continued)

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW (CONTINUED)

Cement Prices: High in the early stage and low later, fluctuating downward at the bottom

The average price of the national cement market showed an overall trend of “high in the early stage and low later, fluctuating and adjusting at the bottom”, with the market performance weakening quarter by quarter throughout the year. According to the monitoring of CCA Digital Cement, the average transaction price of the national cement market in 2025 (landed price of bulk PO42.5 cement, the same below) was RMB367 per tonne, a decrease of RMB17 per tonne or 4.4% compared to the previous year.

Quarterly data showed that the first quarter hit the annual price peak of RMB397 per tonne. The price continued to decline in the second and third quarters, reaching RMB375 per tonne and RMB344 per tonne respectively, with the third quarter being the annual low, a decrease of RMB53 per tonne compared with the first quarter. The price rebounded slightly in the fourth quarter, with an average transaction price of RMB351 per tonne, a month-on-month increase of only RMB7 per tonne, but still a significant year-on-year decrease of RMB67 per tonne.

The core factors affecting the price trend include: first, affected by the macroeconomic environment, the demand in the downstream market continued to shrink sharply, providing insufficient support for price increases; second, the implementation of peak-shifting production by enterprises in some regions weakened, supply contraction fell short of expectations, and inventory remained high, putting downward pressure on prices; and third, fluctuations in the prices of major costs such as coal also had a certain impact on the cement price trend.

By region, among the six major regions in 2025, only the Northeastern China saw a slight year-on-year increase in cement prices, while other regions including Northern China, Eastern China, Central South China and Southwestern China experienced varying degrees of decline. Among them, Northwestern China recorded the most significant year-on-year decline of RMB35 per tonne, and the year-on-year declines in Northern China and Eastern China also reached about RMB20 per tonne.

Northern China: Cement prices in Northern China showed a bottom consolidation trend of “lackluster upward momentum, limited downward movement” with enterprises generally operating under pressure near the break-even point. The annual average transaction price of the cement market in Northern China in 2025 was RMB361 per tonne, representing a decrease of RMB21.3 per tonne or 5.6% year-on-year.

(V) Management Discussion and Analysis (Continued)

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW (CONTINUED)

Northeastern China: Cement prices in Northeastern China were characterized by “operating at high levels, remaining firm during peak seasons, and under pressure during off-seasons”. The annual average transaction price in 2025 was RMB463 per tonne, still leading the country, RMB100 per tonne higher than other regions. Overall, although cement prices in Northeastern China fluctuated significantly, the price reduction cycle was mostly concentrated in the off-season and lasted for a short time, and prices could still maintain a relatively high level in the peak season. At the same time, due to limited transaction volume in the off-season and acceptable demand performance in the peak season, the profitability of the industry in the whole year was further improved compared with the previous year.

Eastern China: Cement prices in Eastern China showed a trend of “high-to-low trend with downward volatility” throughout the year. In particular, the Yangtze River Delta market, once a “price highland”, turned into a “price depression”, and several rebound attempts achieved little effect. The annual average transaction price of the cement market in Eastern China in 2025 was RMB357 per tonne, representing a year-on-year decrease of 5%, RMB10 per tonne lower than the national average level. Its core contradiction lies in the difficulty of coordinating market strategies among regional enterprises and the difficulty in unifying price consensus, leading to a decline in industry sentiment and making it one of the relatively sluggish markets nationwide, with most enterprises operating on thin margins.

Central South China: Cement prices in Central South China showed a “narrow-range fluctuation” trend. In 2025, the average transaction price of the cement market in the Central South China was RMB355 per tonne, representing a year-on-year decrease of 4%. Specifically, the South China market performed relatively strongly from January to April, with prices maintaining a high level overall and corporate profits increasing significantly year-on-year. However, prices dropped sharply since May and continued to decline from June to August, once falling below the cost line of most enterprises. In the fourth quarter, driven by industry self-discipline, the market gradually recovered, with prices rising continuously since September, accumulating an increase of RMB70 per tonne by December, which provided an important support for the improvement of industry profits in the whole year.

Southwestern China: Cement prices in Southwestern China showed a “V-shaped” rebound trend. In 2025, the average transaction price of the cement market in Southwestern China was RMB349 per tonne, representing a slight year-on-year decrease of 1.7%. The market maintained a good momentum in the first half of the year, with considerable industry profits, and only a slight correction occurred in May and June. However, since July and August, prices continued to decline, with prices in most areas falling near the cost line and some local areas even falling into losses. The price hit the annual low in August, a cumulative decrease of RMB90 per tonne compared with the beginning of the year. The turning point came in September. Sichuan and Chongqing took the lead, and regional enterprises actively carried out industry self-discipline, prompting continuous price increases, with a cumulative increase of RMB90 per tonne by December, and industry profits were also significantly restored.

(V) Management Discussion and Analysis (Continued)

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW (CONTINUED)

Northwestern China: Cement prices in Northwestern China showed a “stable with a downward trend” posture. In 2025, the average transaction price of the cement market in this region was RMB359 per tonne, representing a year-on-year decrease of nearly 9%, the largest decline in the country. Overall, most areas of the cement market in Northwestern China maintained stable operation in 2025 with obvious fluctuations in some parts. Except for Xinjiang, enterprises in other areas mostly operated with thin margins or at cost-covering levels.

Industry Profitability: Profits recovered slightly but remained at a historically low level

The industry achieved a favorable start in the first quarter. Driven by multiple factors including policy guidance and strengthened industry self-discipline, cement enterprises made phased progress in moving away from cut-throat internal competition. The rate of decline on the demand side moderated, prices achieved a year-on-year recovery, and coupled with declining coal costs driving a profit rebound, the industry returned to profitability compared to the same period last year. However, the industry situation deteriorated sharply after the second quarter, marked by declines in both sales volume and price. Particularly, the profit recovery effect in the fourth quarter was not significant, leading to an erosion of the profit advantage accumulated in the first half of the year. The total annual profit for the cement industry is estimated at RMB29 billion, indicating that profitability remains at a relatively low level.

(V) Management Discussion and Analysis (Continued)

2. RESULTS OF OPERATIONS

Revenue

The sales revenue was RMB11,560,701,000, representing a YOY decrease of 20.3%, with revenue analysis by product as follows:

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

Product	2025				2024			
	Average Sales volume	Average selling price	Amount	Proportion	Average Sales volume	Average selling price	Amount	Proportion
	(thousand tonnes/ thousand cubic meters)	(RMB/ tonne or cubic meter)	RMB'000		(thousand tonnes/ thousand cubic meters)	(RMB/ tonne or cubic meter)	RMB'000	
Cement	38,147	249.3	9,510,657	82.3%	44,957	261.9	11,773,070	81.1%
Clinker	4,821	215.5	1,038,898	9.0%	6,826	220.0	1,501,593	10.3%
Concrete	1,695	250.9	425,299	3.7%	2,272	298.5	678,275	4.7%
Others <i>(Note)</i>			585,847	5.0%			556,928	3.9%
Total			11,560,701	100%			14,509,866	100%

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 6,810,000 tonnes and 2,005,000 tonnes, respectively, as compared to 2024, representing a decrease of 15.1% and 29.4%, respectively, the external sales volume of concrete decreased by 577,000 cubic meters as compared to 2024, representing a decrease of 25.4%. The decrease in sales volume of cement for the year was mainly due to the continuous decline in demand in the cement market in 2025, the imbalance between supply and demand in the industry and intense competition in the market.

During the Reporting Period, the Group's average selling prices of cement, clinker and concrete decreased by RMB12.6, RMB4.5 and RMB47.6, respectively, as compared to 2024, representing a decrease of 4.8%, 2.0% and 15.9%, respectively.

Internal cement sales for the Group's concrete production amounted to 312,419 tonnes in 2025 (2024: 461,442 tonnes), accounting for 0.8% of total cement sales (2024: 1.0%).

(V) Management Discussion and Analysis (Continued)

2. RESULTS OF OPERATIONS (CONTINUED)

Revenue (Continued)

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

Product	2025		2024		Change in sales volume
	Sales volume (<i>'000 tonnes</i>)	Sales proportion	Sales volume (<i>'000 tonnes</i>)	Sales proportion	
High grade cement (<i>Note</i>)	35,745	93.7%	42,130	93.7%	-15.2%
Low grade cement	2,402	6.3%	2,827	6.3%	-15.0%

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 35,745,000 tonnes, representing a YOY decrease of 15.2%, and sales volume of low grade cement was 2,402,000 tonnes, representing a YOY decrease of 15.0%.

(V) Management Discussion and Analysis (Continued)

2. RESULTS OF OPERATIONS (CONTINUED)

Revenue (Continued)

(3) Cement sales volume by region

Region	Sales volume (thousand tonnes)	2025	Amount RMB'000	Proportion	Sales volume (thousand tonnes)	2024	Amount RMB'000	Proportion
		Average selling price (RMB/tonne)				Average selling price (RMB/tonne)		
Shandong Region	21,597	247.5	5,344,564	56.2%	25,364	259.5	6,582,867	55.9%
Eastern Shandong Operating Region	7,895	256.8	2,027,720	21.3%	8,260	261.1	2,156,618	18.3%
Western Shandong Operating Region	9,355	249.9	2,337,491	24.6%	11,824	266.7	3,153,619	26.8%
Southern Shandong Operating Region	4,347	225.3	979,353	10.3%	5,280	241.0	1,272,630	10.8%
Northeast China Operating Region	10,259	258.2	2,648,868	27.9%	11,834	272.6	3,226,152	27.4%
Shanxi Operating Region	5,447	216.2	1,177,392	12.4%	6,735	229.2	1,543,904	13.1%
Xinjiang Operating Region	844	402.6	339,833	3.5%	1,024	410.3	420,147	3.6%
Total	38,147	249.3	9,510,657	100.0%	44,957	261.9	11,773,070	100.0%

(V) Management Discussion and Analysis (Continued)

2. RESULTS OF OPERATIONS (CONTINUED)

Cost of sales

(Unit: RMB'000)

Cost of sales	2025		2024		Change of proportion to revenue
	Amount	Proportion to revenue	Amount	Proportion to revenue	
Raw materials	3,363,680	29.1%	4,153,412	28.6%	0.5 P. Pts.
Coal	2,318,795	20.1%	3,519,110	24.3%	-4.2 P. Pts.
Power	961,389	8.3%	1,139,479	7.9%	0.4 P. Pts.
Depreciation and amortisation	746,565	6.5%	713,233	4.9%	1.6 P. Pts.
Others	2,546,229	22.0%	2,890,790	19.9%	2.1 P. Pts.
Total cost of sales	9,936,658	86.0%	12,416,024	85.6%	0.4 P. Pts.

During the Reporting Period, the proportion of the Group's total cost of sales to revenue was 86.0%, representing a YOY increase of 0.4 percentage point. In particular, the proportion of cost of raw materials, power costs, depreciation and amortisation and other costs increased by 0.5, 0.4, 1.6 and 2.1 percentage points, respectively, while the proportion of cost of coal decreased by 4.2 percentage points as compared with the previous year.

The decrease in cost of raw materials was mainly attributed to the decrease in external sales of cement and clinker and the decrease in the consumption of the relevant raw materials. In 2025, the average purchase price of coal decreased by 18.2% to RMB713.6/tonne as compared with the previous year of RMB872.0/tonne. The unit coal consumption per tonne of clinker produced in 2025 decreased to 106.5kg from an average of 114.2kg in 2024. The average coal cost per tonne of clinker produced in 2025 decreased by 23.7% to RMB76.0 from RMB99.6 in 2024 due to the decrease in coal price and the use of alternative fuels. The decrease in cost of electricity was mainly due to the decrease in electricity prices and power consumption for the year as compared with last year. The increase in depreciation and amortisation costs was mainly ascribed to the slight year-on-year increase in depreciation and amortization as a result of the progressive gradual completion of capital expenditure investment projects and their reclassification to fixed assets for the year. Others decreased as compared with the previous year, mainly due to the decrease in maintenance and personnel expenses.

(V) Management Discussion and Analysis (Continued)

2. RESULTS OF OPERATIONS (CONTINUED)

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit for 2025 was RMB1,624,043,000 (2024: RMB2,093,842,000), representing a gross profit margin of 14.0% on revenue (2024: 14.4%). The decrease in gross profit and the slight year-on-year decline in gross profit margin were mainly attributable to the year-on-year decrease in sales volume of cement and clinker during the year and the slightly larger decline in cement selling prices than the decline in unit costs.

Other income

Other income decreased from RMB190,143,000 to RMB189,362,000, mainly due to the decrease in government grants during the year as compared with the previous year.

Other net expenses, gains and losses

With respect to other net expenses, gains and losses, the Group recorded a loss of RMB255,434,000 for the Reporting Period as compared with a gain of RMB39,610,000 for the previous year, mainly due to the losses arising from the disposal of certain fixed assets and intangible assets as well as the impairment losses recognized on fixed assets such as plant and equipment related to suspended production enterprises or production lines during the year; whereas in the prior year, there were compensations received for mineral resources overlaid by highway construction projects and the increased road transportation costs arising from the relocation and reconstruction of conveyor belts, as well as gains generated from the disposal of a subsidiary.

Selling and marketing expenses, administrative expenses and finance costs

A YOY decrease of 13.3% from RMB279,593,000 to RMB242,405,000 was recorded in selling and marketing expenses, mainly due to the YOY decrease in the sales volume of cement, resulting in a YOY decrease in loading and unloading fees and sales service charges for the year.

A YOY decrease of 8.2% from RMB1,168,523,000 to RMB1,073,075,000 was recorded in administrative expense, mainly due to a YOY decrease recorded in the number of employees, resulting in a YOY decrease in the cost of salaries, and a tightening of various expenses during the year.

(V) Management Discussion and Analysis (Continued)

2. RESULTS OF OPERATIONS (CONTINUED)

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

A YOY decrease of 15.9% from RMB215,934,000 to RMB181,615,000 was recorded in finance costs, mainly due to the decline in bank loan interest rates and a YOY decrease in bank handling fees during the year as compared with the previous year.

Taxation

A YOY increase of 200.6% from RMB125,000,000 to RMB375,737,000 was recorded in income tax expenses, mainly due to the increase in withholding tax on distributed profit of PRC subsidiaries for the year.

Loss for the year

The Group recorded a net loss for the year of RMB1,091,076,000 while the net loss for 2024 was RMB189,041,000. The loss for the year was mainly attributable to weak market demand for cement which led to a simultaneous decline in both price and sales volume and a drop in operating gross profit, as well as an increase in impairment losses recognised on fixed assets such as plant and equipment relating to suspended production enterprises or production lines, resulting in an increase in loss of RMB902,035,000 as compared with the previous year.

(V) Management Discussion and Analysis (Continued)

3. FINANCIAL RESOURCE AND LIQUIDITY

As at 31 December 2025, total assets decreased by 4.9% to RMB28,741,818,000 (2024: RMB30,222,319,000), while total equity decreased by 6.6% to RMB16,983,966,000 (2024: RMB18,192,206,000). As at 31 December 2025, net gearing ratio of the Group was 14.8% (2024: 14.9%), each of which was calculated based on net debts and total equities as of 31 December 2025 and 31 December 2024. The decrease of net gearing ratio was due to the decrease in bank loans and the decrease in equity by RMB1,208,240,000 for the year.

Bank balances and cash, restricted bank deposits and fixed bank deposits

As at 31 December 2025, the Group's bank balances and cash, restricted bank deposits and fixed bank deposits are as below:

	31 December 2025 <i>RMB'000</i>	31 December 2024 <i>RMB'000</i>
Bank balances and cash	2,356,613	2,179,627
Restricted bank deposits	893,088	692,672
Fixed bank deposits	556,025	515,652
Total	3,805,726	3,387,951

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

	31 December 2025 <i>RMB'000</i>	31 December 2024 <i>RMB'000</i>
RMB	3,397,078	2,894,886
Hong Kong Dollar ("HK\$")	162,580	198,077
United States Dollar ("US\$")	246,068	294,988
Total	3,805,726	3,387,951

(V) Management Discussion and Analysis (Continued)

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Bank loans

Term of borrowings	31 December 2025 <i>RMB'000</i>	31 December 2024 <i>RMB'000</i>
Short-term borrowings (including long-term borrowings with maturity within one year)	4,505,890	3,797,750
Long-term borrowings	805,170	1,567,710
Total	5,311,060	5,365,460

As at 31 December 2025, all borrowings of the Group were denominated in Renminbi. The Group's total borrowings were RMB5,311,060,000, representing a decrease of RMB54,400,000 as compared with the end of 2024. In particular, short-term borrowings amounted to RMB4,505,890,000 and accounted for 84.8% of the Group's total borrowings. As at 31 December 2025 and the date of this report, the balance of unutilised credit lines of the Group approved by banks amounted to RMB100,000,000. The Group will seek new bank credit lines as required.

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

The Group had net current liabilities of RMB2,027,310,000 as at 31 December 2025. Taking into account the cash and bank balances, the expected future internally generated funds, the new banking facilities and other sources of financing to be obtained, the Board believes that the Group will be able to meet its financial obligations when they fall due in the foreseeable future.

For details in relation to the total borrowings of the Group and their interest rates, please refer to the relevant explanation in Note 25 and Note 35 (b)(iii) to the Financial Statements.

(V) Management Discussion and Analysis (Continued)

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Capital expenditures

During the Reporting Period, capital expenditures were approximately RMB493,863,000, which were mainly used as investment in the new construction and technical transformation of intelligent production, mine resource reserves, cement and clinker production lines. The Group's investment and construction will be mainly financed by cash generated from daily operations and additional bank borrowings.

Outstanding capital commitments under production facility construction contracts and the equipment purchase contracts not provided for in the financial statements as at 31 December 2025 were:

	31 December 2025 <i>RMB'000</i>	31 December 2024 <i>RMB'000</i>
Authorised and contracted for – plant and equipment	820,387	1,085,833
Authorised but not contracted for – plant and equipment	800,389	1,093,908
Total	1,620,776	2,179,741

As of 31 December 2025, the capital commitments authorised and contracted for by the Group amounted to RMB820,387,000, which represents a decrease of RMB265,446,000 or 24.4% as compared with the end of 2024. Capital commitments authorised but not contracted for as of 31 December 2025 amounted to RMB800,389,000.

(V) Management Discussion and Analysis (Continued)

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Net cash flow analysis

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Net cash generated from operating activities	991,849	538,173
Net cash used in investing activities	(424,091)	(648,958)
Net cash (used in)/generated from financing activities	(380,443)	27,992
Net increase/(decrease) in cash and cash equivalents	187,315	(82,793)
Balance of cash and cash equivalents at 1 January	2,179,627	2,254,037
Effect of foreign exchange rate changes	(10,329)	8,383
Balance of cash and cash equivalents at 31 December	2,356,613	2,179,627

Net cash generated from operating activities

During the Reporting Period, the Group recorded a net cash generated from operating activities of RMB991,849,000, representing a YOY increase of RMB453,676,000, mainly due to the decrease in various costs and expenses for the year.

Net cash used in investing activities

During the Reporting Period, the Group recorded a net cash used in investing activities of RMB424,091,000, representing a YOY decrease of RMB224,867,000, mainly due to the decrease in capital expenditure for construction of new cement and clinker production lines, purchase of equipment for technical transformation and equity investment during the year, as well as the year-on-year increase in cash inflows generated from disposal of assets and receipt of dividends from associates during the year.

Net cash used in financing activities

During the Reporting Period, the Group recorded a net cash used in financing activities of RMB380,443,000, representing a YOY increase of RMB408,435,000, mainly due to the repayment of certain bank loans during the year.

(V) Management Discussion and Analysis (Continued)

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Material acquisition and disposal of subsidiaries and affiliated companies

The Group had no other material acquisitions or disposals during the Reporting Period.

Pledge of assets

Details in relation to pledge of assets of the Group as at 31 December 2025 are set out in Note 25 to the Financial Statements.

Contingent liabilities

Details in relation to contingent liabilities of the Group as at 31 December 2025 are set out in Note 37 to the Financial Statements.

Management of foreign exchange exposure

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

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

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

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

(V) Management Discussion and Analysis (Continued)

4. OUTLOOK FOR 2026

(a) Operating environment outlook

In 2025, the national cement market exhibited a grim situation of “declining volume, weakening prices, and pressured profitability”, with an annual cement output of 1.693 billion tons (hitting a new low since 2010), representing a year-on-year decrease of 6.9%. The growth rate of fixed asset investment turned from positive to negative, and the real estate market underwent deep adjustment. In certain regions, “involutionary” vicious competition emerged with cement prices falling below cost lines; industry inventories remained at high levels, and industry profitability continued to face pressure. The year 2026 marks the opening year of the “15th Five-Year Plan”. The Central Economic Work Conference has deployed a series of policies to stabilize investment, and explicitly required promoting investment to stop its decline and stabilize. Under policy guidance and market regulation, the industry will accelerate the reconstruction of supply and demand, gradually transitioning toward high-quality development.

From the demand perspective, macroeconomic policies in 2026 will center on “stabilizing investment and expanding domestic demand”. The Central Economic Work Conference explicitly stated to “promote investment to stop its decline and stabilize”, moderately increasing the scale of investment within the central budget and optimizing the management of local government special bonds. The implementation of “Two Major” projects will accelerate. It is expected that the growth rate of fixed asset investment for the full year will turn from negative to positive, and the supporting role of the infrastructure sector for cement demand will gradually strengthen. Although the real estate market remains in an adjustment period, policies of “implementing city-specific measures to control incremental growth, reduce inventory, and optimize supply” continue to exert force. The decline in new construction floor space is expected to narrow further, weakening the drag on cement demand. Overall, although cement demand will still be in a downward channel in 2026, the decline is expected to narrow to approximately 6% compared to 2025.

(V) Management Discussion and Analysis (Continued)

4. OUTLOOK FOR 2026 (CONTINUED)

(a) Operating environment outlook (Continued)

From the supply perspective, the industry's supply-side structural reform in 2026 will focus on two core priorities: governance of over-quota production and capacity replacement. On one hand, the Work Plan for Steady Growth of the Building Materials Industry (2025–2026)* (《建材行業穩增長工作方案(2025–2026年)》), requires enterprises to strictly conduct production in accordance with their filed production capacity. Enterprises that fail to complete the replacement of capacity exceeding the filed amount by the end of 2025 will be subject to compliance supervision. The industry has already seen the withdrawal of over 160 million tonnes of actual production capacity, leading to a further contraction in the scale of actual operating capacity. On the other hand, normalized off-peak production will be rigidly enforced. Local governments and industry associations will strengthen supervision over the execution of off-peak production plans to prevent the occurrence of “phased loosening”, which can effectively alleviate the pressure of supply-demand imbalance. Meanwhile, the national carbon market has entered the final year of its “start-up and implementation phase”, and will shift to the dual control of total carbon emissions and emission intensity starting from 2027. Enterprises are thus accelerating the pace of low-carbon transformation: the utilization rate of alternative raw materials and fuels, as well as the share of green energy application, will continue to rise, while low-efficiency, high-consumption production capacity will be phased out at an accelerated pace. In addition, the industry is witnessing a pronounced trend of mergers and acquisitions. Several provinces have rolled out policies to encourage leading enterprises to pursue cross-regional integration, which is expected to further lift market concentration and gradually optimize the industry's competitive landscape.

(Source: 2025 China Cement Industry Economic Performance Report, Digital Cement Website)

(b) Business outlook of the Company

In 2026, the Company will set “turning losses into profits” as its core objective and “deepening reform and breaking through bottlenecks” as its primary theme, coordinately advancing key tasks such as reform and transformation, cost control, and risk prevention to fully promote high-quality development.

1. **Focus on quality improvement of core business.** In response to the national call for “anti-involution” (countering excessive competition), the Company will actively participate in the development of the industry ecosystem, refine the management of its primary responsibilities and core business, and continuously optimize marketing models and market layout. We will proactively expand diversified market channels, intensify the development of high-value-added products, strengthen brand building, and continuously enhance market influence and core competitiveness to stabilize our market share.

(V) Management Discussion and Analysis (Continued)

4. OUTLOOK FOR 2026 (CONTINUED)

(b) Business outlook of the Company (Continued)

2. **Deepen cost control.** We will continuously optimize the full-chain management processes across procurement, production, warehousing, and logistics, and constantly improve the cost control system. By strengthening procurement synergy, lean production operations, and refined expense management, and by leveraging internal management improvements and industry synergies, we will reasonably control various operating costs, focus on cost reduction and efficiency enhancement, continuously solidify the foundation for profitability, and improve overall operating performance.
3. **Strengthen internal governance.** We will continue to deepen internal reforms, optimize organizational structures and appraisal incentive mechanisms, and improve internal management systems to elevate the level of scientific, standardized, and refined management. Greater emphasis will be placed on talent pool development, utilizing multiple measures to improve the “recruitment, deployment, cultivation, and retention” of talent, constantly strengthening team cohesion, and fostering an upright, pragmatic, and efficient development environment to stimulate the company’s endogenous drive and organizational vitality.
4. **Advance transformation and innovation.** We will actively implement the philosophy of green and low-carbon development, promote the application of environmental protection and low-carbon technologies, and accelerate the pace of green transformation. The Company will continuously optimize industrial layout, revitalize existing assets, and improve resource utilization efficiency; we will steadily advance digital-intelligent upgrades to enhance refined management and cultivate new drivers for corporate growth.
5. **Strengthen risk prevention and control.** We will improve the risk prevention and control system, strengthen fund management and compliance management, and intensify risk screening and control in key areas to guard against various operational risks. By optimizing the internal governance structure and enhancing the scientific nature of decision-making and the standardization of operations, we will ensure the healthy and stable development of the enterprise.

(VI) Report of the Directors

The Directors are pleased to present the annual report, including the audited consolidated financial statements of the Company for the year ended 31 December 2025:

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of cement, clinker, concrete and related products and services. Details of the principal activities of the principal subsidiaries are set out in Note 41 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

BUSINESS REVIEW

Relating to the details of the material development of the Group in 2025, a fair review of the business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, a description of the principal risks and uncertainties faced by the Group and the outlook of the Group's business are provided under the two sections headed "(IV) Corporate Profile" and "(V) Management Discussion and Analysis" in this annual report. Particulars of important events affecting the Group after 31 December 2025, if any, can also be found in the Notes to the Financial Statements. Each of the above-mentioned relevant contents form an integral part of this Report of the Directors.

ANNUAL RESULTS

The annual results of the Group for the year are set out in the consolidated statement of profit or loss on page 108.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2025.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the shareholders with entitlement to attend and vote at the annual general meeting, the register of members will be closed from Friday, 15 May 2026 to Wednesday, 20 May 2026, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the annual general meeting, all completed transfer forms, accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Thursday, 14 May 2026.

(VI) Report of the Directors (Continued)

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set forth in Note 40 to the consolidated financial statements and in the consolidated statement of changes in equity on page 112 of this annual report respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2025, the distributable reserves of the Company, as calculated based on the Companies Law of the Cayman Islands, amounted to approximately RMB2,740,729,000, which includes the share premium account and accumulated losses, details of which please refer to Note 40 to the Financial Statements. No dividend may be paid out of the distributable reserves unless immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

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

DONATIONS

For the year ended 31 December 2025, the Group contributed approximately RMB3,321,000 to charitable and other donations (2024: RMB5,427,000).

PROPERTY, PLANT AND EQUIPMENT

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

TAX REDUCTION AND EXEMPTION

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

(VI) Report of the Directors (Continued)

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2025, total sales attributable to the top five customers of the Group were less than 30% of total sales of the Group, and total purchases attributable to the top five suppliers of the Group were less than 30% of total purchases of the Group.

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

DIRECTORS

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

Name	Position	Gender	Age	Term of office
TENG Yongjun (滕永軍)	Chairman of the Board and Executive Director	M	56	5 August 2024 – Now
WU Ling-ling (吳玲綾)	Executive Director	F	60	23 May 2018 – Now
ZHENG Yingying (鄭瑩瑩)	Executive Director	F	45	31 May 2024 – Now
CHANG Ming-cheng (張銘政)	Independent Non- Executive Director	M	71	23 May 2018 – Now
LI Jianwei (李建偉)	Independent Non- Executive Director	M	52	23 May 2018 – Now
HSU You-yuan (許祐淵)	Independent Non- Executive Director	M	71	4 September 2018 – Now

CONFIRMATION OF INDEPENDENCE

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

PERMITTED INDEMNITY

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

(VI) Report of the Directors (Continued)

AUDITOR

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

COMPETING BUSINESS

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

MANAGEMENT CONTRACTS

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

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

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

(VI) Report of the Directors (Continued)

EQUITY-LINKED AGREEMENT

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

AMENDMENTS TO MEMORANDUM AND ARTICLES OF ASSOCIATION

During the Reporting Period, the Board has proposed changes to its Articles of Association. Details of the amendments are set out in the circular dated 25 April 2025 to the Shareholders. Since the special resolution of proposed amendments to the Articles of Association was not passed in the annual general meeting held on 22 May 2025, no changes were made by the Company to the Articles of Association.

For the latest version of the Memorandum and Articles of Association of the Company, please refer to the websites of the Company and the Stock Exchange.

CHANGES IN INFORMATION OF DIRECTORS

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

1. With effect from 10 June 2025, Mr. HSU You-yuan ceased to be the chairman and president of DCH Solargiga GmbH.
2. With effect from 13 September 2025, Mr. HSU You-yuan has been appointed as the chairman of Wu Xian Zheng Mindfulness Association.

ISSUE OF SHARES AND DEBENTURES

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

(VI) Report of the Directors (Continued)

CONNECTED TRANSACTIONS

Save as disclosed in this section, all of the related party transactions as set out in Note 39 to the Financial Statements do not constitute connected transactions under the Listing Rules. The Company has complied with the relevant requirements under Chapter 14A of the Listing Rules as applicable to the Company.

Continuing Connected Transactions

The connected transactions entered into between the Company and China National Building Material Group Co., Ltd. (“**CNBMG**”), which is the controlling shareholder of CNBM, and other CNBM’s associates, as set out in this section below constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules for the year ended 31 December 2025, the summary of which is as follows:

On 25 April 2025, the Group entered into the following agreements with CNBMG, Shandong Quanxing Jingshi Cement Co., Ltd. (“**Shandong Quanxing**”), an associate of CNBM and/or Shandong Donghua Technology Co., Ltd. (“**Shandong Donghua**”), an associate of CNBM, to renew the mine development services framework agreement, the cement production equipment and supplies framework agreement, the engineering and technical services framework agreement and the clinker and cement transactions framework agreements, each dated 17 April 2024 (collectively, the “**2024 Framework Agreements**”) and the annual caps (collectively, the “**2025 Framework Agreements**”):

(a) Mine Development Services Framework Agreement;

The Company and CNBMG entered into the Mine Development Services Framework Agreement on 25 April 2025. The nature of the services under the Mine Development Services Framework Agreement is the provision of mine development, maintenance and related engineering services by CNBMG and its subsidiaries (the “**CNBMG Group**”) to the Group. The term of the Mine Development Services Framework Agreement is from 1 June 2025 to 31 May 2026 (both days inclusive).

(b) Cement Production Equipment and Supplies Framework Agreement;

The Company and CNBMG entered into the Cement Production Equipment and Supplies Framework Agreement on 25 April 2025. The nature of the services under the Cement Production Equipment and Supplies Framework Agreement is the purchase of cement production equipment and supplies by the Group from the CNBMG Group. The term of the Cement Production Equipment and Supplies Framework Agreement is from 1 June 2025 to 31 May 2026 (both days inclusive).

(c) Engineering and Technical Services Framework Agreement; and

The Company and CNBMG entered into the Engineering and Technical Services Framework Agreement between on 25 April 2025. The nature of the services under the Engineering and Technical Services Framework Agreement is the provision of engineering services (including design, construction and technical upgrade services) and technical services (including inspection and product specification comparison services) by the CNBMG Group to the Group. The term of the Engineering and Technical Services Framework Agreement is from 1 June 2025 to 31 May 2026 (both days inclusive).

(VI) Report of the Directors (Continued)

CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions (Continued)

(d) **Clinker and Cement Transactions Framework Agreements.**

The Company and CNBMG entered into a clinker and cement transaction framework agreement on 25 April 2025 (the “**CNBMG Clinker and Cement Transactions Framework Agreement**”). The nature of the services under the CNBMG Clinker and Cement Transactions Framework Agreement is the sale and purchase of clinker and cement (including aggregate and commercial concrete) between the Group and the CNBMG Group. The term of the CNBMG Clinker and Cement Transactions Framework Agreement is from 1 June 2025 to 31 May 2026 (both days inclusive).

The Company and Shandong Quanxing entered into a clinker and cement transaction framework agreement on 25 April 2025 (the “**Shandong Quanxing Clinker and Cement Transactions Framework Agreement**”). The nature of the services under the Shandong Quanxing Clinker and Cement Transactions Framework Agreement is the sale and purchase of clinker and cement (including aggregate and commercial concrete) between the Group and Shandong Quanxing’s subsidiaries, Shandong Quanxing Cement Co., Ltd. and Shandong Shenfeng Cement Co., Ltd. The term of the Shandong Quanxing Clinker and Cement Transactions Framework Agreement is from 1 June 2025 to 31 May 2026 (both days inclusive).

The Company and Shandong Donghua entered into a clinker and cement transactions framework agreement on 25 April 2025 (the “**Shandong Donghua Clinker and Cement Transactions Framework Agreement**”). The nature of the services under the Shandong Donghua Clinker and Cement Transactions Framework Agreement is the sale and purchase of clinker and cement (including aggregate and commercial concrete) between the Group and the branches and subsidiaries of Shandong Donghua (namely Jinan Wanhua Cement Co., Ltd., Zibo Wanhua Branch of Shandong Donghua Technology Co., Ltd., and Shandong Donghua Technology Development Co., Ltd.). The term of the Shandong Donghua Clinker and Cement Transactions Framework Agreement is from 1 June 2025 to 31 May 2026 (both days inclusive).

As at 31 December 2025, CNBMG is the controlling shareholder of CNBM, which is a substantial shareholder holding approximately 12.94% of the issued Shares, hence CNBMG is a connected person of the Company under Chapter 14A of the Listing Rules. In addition, Shandong Quanxing and Shandong Donghua are each a 30%-controlled company of CNBM and hence connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under each of the 2025 Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Please refer to the announcement dated 25 April 2025 and the circular dated 25 April 2025 published by the Company for details.

(VI) Report of the Directors (Continued)

CONNECTED TRANSACTIONS (CONTINUED)

Transaction Amounts and Annual Caps in the Continuing Connected Transactions

The amounts and annual caps in respect of the transactions under the 2024 Framework Agreements and the 2025 Framework Agreements are described as follows.

(Unit: RMB'000)

Type	Transaction amounts during the five months ended 31 May 2025	Annual caps for the five months ended 31 May 2025 under the 2024 Framework Agreements
Mine Development Services	182,933	251,480
Cement Production Equipment and Supplies	4,559	6,400
Engineering and Technical Services	117,448	138,090
Clinker and Cement Transactions	46,967	62,280 ^{Note 1}
– Procurement of the Group	–	–
– Sales of the Group	46,967	–

Note 1: The annual cap of clinker and cement transactions for the five months ended 31 May 2025 under the 2024 Framework Agreements is not divided into procurement of the group and sales of the group.

Type	Transaction amounts for the seven months from 1 June 2025 to 31 December 2025	Annual caps for the seven months from 1 June 2025 to 31 December 2025 under the 2025 Framework Agreements
Mine Development Services	379,724	381,225
Cement Production Equipment and Supplies	1,931	9,600
Engineering and Technical Services	49,479	221,254
Clinker and Cement Transactions	74,155	923,532
– Procurement of the Group	–	193,130
– Sales of the Group	74,155	730,402

(VI) Report of the Directors (Continued)

CONNECTED TRANSACTIONS (CONTINUED)

Transaction Amounts and Annual Caps in the Continuing Connected Transactions (Continued)

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

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

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

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

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

(VI) Report of the Directors (Continued)

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 31 December 2025, 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 approximately RMB30.42 million for settling litigation costs.

As of 31 December 2025, outstanding borrowings of the Company from Tianrui Group was RMB904 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.

(VI) Report of the Directors (Continued)

MAJOR EVENTS

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In relation to the Company’s environmental policies and performance, the Company has published an environment, social and governance report in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Listing Rules published by the Stock Exchange together with this Annual Report.

On behalf of the Board
China Shanshui Cement Group Limited
Teng Yongjun
Chairman

4 March 2026

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

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

As of 31 December 2025, the Company's authorised share capital was US\$100,000,000 divided into 10,000,000,000 Shares of par value of US\$0.01 each.

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

As of 31 December 2025, the Company has issued a total of 4,353,966,228 Shares.

2. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

(1) Shareholdings of substantial shareholders

As of 31 December 2025, the interests or short positions of persons, other than the Directors and Chief Executive of the Company, in the Shares and underlying shares of the Company, which would be required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register maintained under section 336 of the SFO, were as follows:

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

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

2. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

(1) Shareholdings of substantial shareholders (Continued)

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

Notes:

- (1) The letter "L" denotes a long position in such Shares.
- (2a) LI Liufa and LI Fengluan (spouse of LI Liufa) owned 70% and 30% respectively of Tianrui Group, which owned 100% of Tianrui.
- (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 China Shanshui Investment Company Limited or its directors are accustomed to act.
- (4) The interest in 428,393,000 shares of the Company was held by several direct or indirect subsidiaries of Asia Cement Corporation. The interest in 142,643,000 shares of the Company was held by Yu Yuan Investment Corporation Limited, which is the party to the agreement under Section 317.
- (5) ACC is the party to the agreement under Section 317.
- (6) CNBM was a controlled corporation of China National Building Material Group Corporation Co., Ltd. (中國建材集團有限公司). CNBM owned 100% of China Building Material Holdings Co., Limited.
- (7) Shen Neng International SPC – Green Planet SP is wholly owned by Shen Neng Investment Management Limited.
- (8) The number of issued shares of the Company as at 31 December 2025 was 4,353,966,228.

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

2. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

(1) Shareholdings of substantial shareholders (Continued)

Save as disclosed above, and so far as the Directors are aware, as at 31 December 2025, no person, other than Directors or the Chief Executive of the Company, had an interest or short position in the Shares or underlying shares of the Company which would need to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register maintained pursuant to Section 336 of the SFO.

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

As of 31 December 2025, 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 (including the sale of treasury shares) during the Reporting Period. The Company did not have any treasury shares (as defined in the Listing Rules) as at 31 December 2025.

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

4. SHARE OPTION SCHEME

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

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

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

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

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

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

The options to subscribe for 163,700,000 Shares granted on 27 January 2015 lapsed in accordance with the terms of the Share Option Scheme, of which 400,000 share options lapsed in 2024, and 89,900,000 share options lapsed during the Reporting Period. Therefore, these lapsed options had not been counted for the purpose of the Existing Scheme Mandate Limit pursuant to Note 1 to Rule 17.03(3) of the Listing Rules.

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

4. SHARE OPTION SCHEME (CONTINUED)

Details of the options are set out as follows:

Type of Grantee	Date of Grant	Vesting period	Exercise period	Exercise price	Number of Share Options				
					Outstanding as at 1 January 2025	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at 31 December 2025
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	89,900,000	-	89,900,000	-	-
					89,900,000	-	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

Pursuant to the terms of the Share Option Scheme, 89,900,000 share options lapsed on 27 January 2025. Accordingly, the Company no longer has outstanding share options under the Share Option Scheme as at 31 December 2025.

Summary of the principal terms of the Share Option Scheme

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

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

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

4. SHARE OPTION SCHEME (CONTINUED)

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

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

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

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

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

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

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

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

5. PRE-EMPTIVE RIGHTS

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

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

1. AS OF THE DATE OF THIS REPORT

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

Name	Position	Gender	Age	Term of office
TENG Yongjun (滕永軍)	Chairman of the Board and Executive Director	M	56	5 August 2024 – Now
WU Ling-ling (吳玲綾)	Executive Director	F	60	23 May 2018 – Now
ZHENG Yingying (鄭瑩瑩)	Executive Director	F	45	31 May 2024 – Now
CHANG Ming-cheng (張銘政)	Independent Non- Executive Director	M	71	23 May 2018 – Now
LI Jianwei (李建偉)	Independent Non- Executive Director	M	52	23 May 2018 – Now
HSU You-yuan (許祐淵)	Independent Non- Executive Director	M	71	4 September 2018 – Now

(2) Biography of Directors and senior management

(a) Executive Directors

Mr. TENG Yongjun, aged 56, is the chairman of the Board and an Executive Director of the Company since 5 August 2024 and is the chairman of the Environmental, Social and Governance Committee of the Board as well as the director of subsidiaries of the Company, including Shandong Shanshui, Pioneer Cement and China Shanshui (HK).

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

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

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

(a) Executive Directors (Continued)

Mr. TENG served as the deputy secretary of the Party Committee and director of Jinan Financial Investment Fund Holding Group Co., Ltd. from June 2020 to February 2023, and the deputy secretary of the Party Committee, director and general manager of Jinan Public Transportation Group Co., Ltd. from February 2023 to July 2024. Since August 2024, he has served as a specialist (full rank second level leader) of CNBM. He successively served as a staff member of the Economic Committee of Duandian Town, Huaiyin District, Jinan City and a staff member of the Economic Planning Committee of Huaiyin District, Jinan City, a staff member, deputy senior staff member and director of the general office of the Political and Legal Committee of Huaiyin District, Jinan City, a deputy director of the Comprehensive Governance Office of Huaiyin District, Jinan City, the deputy secretary of the Party Work Committee and director of the Street Office of Nanxin Zhuang Street, Huaiyin District, Jinan City and secretary of the Party Work Committee of Nanxin Zhuang Street, Huaiyin District, Jinan City, a member of the Standing Committee and minister of the Organisation Department of Zhangqiu Municipal Committee, and a member of the Standing Committee and minister of the Organisation Department of Zhangqiu District Committee, Jinan City, he graduated from the Department of Business Economics of Shandong Economic Institute majoring in county and rural economy management in September 1990, and graduated from the part-time undergraduate class of the Shandong Province People's Party University (山東省委黨校大學) majoring in economy management in December 1999.

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

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

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

(a) Executive Directors (Continued)

Ms. WU Ling-ling, aged 60, has been an Executive Director of the Company since 23 May 2018 and is a member of both the Nomination Committee and the Environmental, Social and Governance Committee of the Board as well as the director of various subsidiaries of the Company, including Pioneer Cement, China Shanshui (HK), Shandong Shanshui, etc. Ms. WU has more than 30 years of experience related to financial executive and management in working with international public accounting, manufacturing, telecommunications and internet service provider firms. Since July 2007, Ms. WU has served as the chief financial officer and executive vice president of ACC, a limited liability company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation (stock code: 1102), and has been appointed as the director of ACC since 27 June 2023. Since 1 March 2023, Ms. WU has served as a director of U-Ming Marine Transport Corporation (whose shares are listed on the Taiwan Stock Exchange Corporation (stock code: 2606)). Ms. WU serves as a director and supervisor for more than 30 companies over the years including being a former supervisor and member of the board of directors of Oriental Union Chemical Corporation (stock code: 1710), a company listed on the Taiwan Stock Exchange Corporation and a supervisor and director of Jia Hui Power Corporation, a subsidiary of Asia Cement. Ms. WU was an Executive Director of the Company from 14 October 2015 to 1 December 2015. Ms. WU has served as an executive director of Asia Cement (China) Holdings Corporation (whose shares are listed on the Main Board of the Stock Exchange (stock code: 743)) since 14 April 2016, and has been re-designated as a non-executive director since 29 April 2024. From June 2001 and July 2004, Ms. WU served as the vice president of Audit Department and Corporate Controller of Far Eastone Telecommunications Co., Ltd., also a listed affiliate of FEG. She had served in diverse positions since joining the firm in June 2001. Ms. WU has financial expertise in mergers and acquisitions, working capital management, process control, and regulatory accounting and reporting. She specializes in supporting corporate strategy including streamlining, controllership, and growth initiatives. She has been successful in leading both corporate turnarounds and rapid growth expansion through two initial public equity offerings and multiple acquisitions. Ms. WU is a Certified Public Accountant registered in the United States of America and Taiwan. She received a master of business administration degree having majored in accounting from the California State University, Los Angeles and a master of business administration degree from National Zhengzhi University in Taipei.

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

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

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

(a) Executive Directors (Continued)

Ms. ZHENG Yingying, aged 45, has been an Executive Director of the Company since 31 May 2024 and is a member of both the Nomination Committee and the Environmental, Social and Governance Committee of the Board. She is currently the chairman of the board of directors of CSI, a substantial shareholder of the Company. She has also served as the deputy general manager of Jinan Industrial Development Investment Group Co., Ltd. since November 2019, and a member of the Party committee and the general counsel of Jinan Industrial Development Investment Group Co., Ltd. since March 2023.

She served as a delegate of the 13th Shandong Provincial Women's Congress, a delegate of the 14th Jinan Municipal Women's Congress and an executive member of 14th Congress, a delegate of the 17th Congress of Jinan Municipal Labor Union, a delegate of the 17th National Congress of Trade Unions of China, a clerk, a deputy secretary of the Youth League Committee, a deputy director of the office, a director of the office, and a deputy researcher of the Civil Affairs Bureau of Lixia District, Jinan City, and also a deputy director of the Yanshan Street office of Lixia District, Jinan City, the vice chairman of the Women's Federation of Lixia District, Jinan City. She also served as the deputy director of general management department, the deputy director of human resources department, the director of supervision and audit department (Party committee of the organization), the vice chairman of Group Labor Union and the director of Group Women's Committee of Jinan Railway Transportation Group.

She obtained a bachelor's degree in management from Shandong University of Economics in 2003 and a master's degree in law from Tongji University in 2010.

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

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

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

(b) Independent Non-Executive Directors

Mr. CHANG Ming-cheng, aged 71, has been an Independent Non-Executive Director of the Company since 23 May 2018 and is the chairman of the Audit Committee and member of the Remuneration Committee, the Nomination Committee and the Environmental, Social and Governance Committee of the Board. Mr. CHANG Ming-cheng also serves as the supervisor of Shandong Shanshui. Mr. CHANG received a bachelor degree in mechanical engineering from Taiwan University in 1976 and a master degree in business administration from the University of Michigan in 1978. He passed the U.S. Uniform Certified Public Accountant Examination in May 1978. After working in the United States for one year, he returned to Taiwan in 1979 and joined Deloitte & Touche Taiwan, and became an audit partner in 1990. Between September 1994 and August 1996, he was seconded to Shanghai and involved in the B share listing of Huangshan Tourism Development Co.,Ltd. and Anhui Gujing Distillery Company Limited. As an experienced auditor, he had a high level of participation in merger and acquisition activities in the PRC and Taiwan. Since June 2007, he assumed the role of reputation and risk leader at Deloitte & Touche Taiwan and was responsible for its overall quality of services and risk management until his retirement in October 2014. Mr. CHANG was an Executive Director of the Accounting Research and Development Foundation and the chairman of the Auditing Standards Committee of Taiwan from April 2011 to March 2020. Since June 2018, he has been appointed as an independent director of a Taiwanese listed company Alexander Marine Co., Ltd. (東哥企業股份有限公司) until his retirement on 11 June 2024. Currently, Mr. CHANG also serves as an independent director of United AlloyTech Company Ltd. (精確實業股份有限公司), as well as the chairman of the board of directors of Medigen Vaccine Biologics Corporation (高端疫苗生物製劑股份有限公司). He has been appointed as a supervisor of the Ship and Ocean Industries R&D Center (船舶暨海洋產業研發中心) since January 2019.

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

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

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

(b) Independent Non-Executive Directors (Continued)

Mr. LI Jianwei, aged 52, has been an Independent Non-Executive Director of the Company since 23 May 2018 and is the chairman of the Remuneration Committee, a member of the Environmental, Social and Governance Committee, the Nomination Committee and the Audit Committee of the Board. Mr. LI is a Juris Doctor, a professor of Commercial Law at China University of Political Science and Law and a supervisor of doctoral students. He also serves as the director of Department of Law and Commerce of Business School, chairman of Academic Committee of Business School, as well as the secretary general of the Commercial Law Research Society of China Law Society. His main research areas include, among others, civil and commercial law, corporate law, securities law, corporate governance, etc. He is a well-known young and middle-aged company law expert in China who has made outstanding achievements in the research of a broad range of commercial laws including company law, securities law, insurance law, investment fund law and trust law, etc. He worked as a post-doctoral researcher at the Business School of the Renmin University of China from 2002 to 2004, a senior visiting scholar at the Law School of University of The New South Wales, Australia from 2008 to 2009 and a visiting professor at the Law School of The Aoyama Gakuin University in Japan from 2013 to 2015. His past positions also include the executive director and secretary general of the Commercial Law Research Society of China Law Society, executive director of China Association of Business Law, member of the 1st, 2nd and 3rd Hong Kong and Macau Law Committee of Zhuhai Hengqin New Area, member of Expert Advisory Committee of courts such as Guangzhou Intermediate People's Court, and arbitrator of arbitration committees in Beijing, Fuzhou, Changsha, Guangzhou, Zibo, Beihai, Ordos and, Zhuhai, etc. He has been in charge of more than 10 national and provincial level projects, including a chief specialist of significant projects under the National Social Science Fund of China, youth research project under the National Social Science Fund of China, the Humanities and Social Science Fund of the Ministry of Education, rule of law theory projects of the Ministry of Justice and social science projects under Beijing Social Science Fund, etc and China International Economic and Trade Arbitration Commission. He has been in charge of the Youth Research Innovation Team Project of Commercial Law in China University of Political Science and Law for 6 years from 2012 to 2018. He has published more than 200 academic papers in publications such as China Legal Science, Journal of Law and Xinhua Digest, and published more than 10 books and translated works including "A Study of Independent Directors", "Corporate Mechanism, Corporate Management and Corporate Governance" and "Company Law". He has won many awards for research excellence such as the second prize in Dong Biwu Youth Law Achievement Award and the third prize in the 4th China Law Outstanding Achievement Award. As a legal expert, he has successively participated in expert argumentation of a number of legislative and judicial interpretation documents, including, among others, General Principles of Civil Law, Civil Code – Contracts, Company Law, Electronic Commerce Law and Company Law Interpretation (3) (4). He has won the Outstanding Teacher Award of 2011 and Excellent Teacher Award of 2007, 2009, 2010, 2016 of the China University of Political Science and Law. He has been awarded as one

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

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

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

(b) Independent Non-Executive Directors (Continued)

of the Ten Teachers Most Welcomed by Undergraduates in 2006, 2008 and 2010. Mr. LI served as the chairman of the board of Beijing Fangyuan Zhonghe Culture Communication Co., Ltd. (北京方圓眾合教育科技有限公司) from October 2009 to 1 July 2021. In 2015, he obtained the qualification of independent director from the Shanghai Stock Exchange and is currently the independent director of Hanwang Technology Co., Ltd. (漢王科技股份有限公司), whose shares have been listed on the Shenzhen Stock Exchange (Stock Code: 002362) since April 2018, Linksus Digiwork Marketing Communication Co., Ltd. (靈思雲途營銷顧問股份有限公司) whose shares have been listed on the National Equities Exchange and Quotations (Stock Code: 838290) since May 2017, and China Quanjude (Group) Co., Ltd. (中國全聚德(集團)股份有限公司) whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002186) since 29 December 2018, an independent non-executive director of Jinxin Fertility Group Limited (錦欣生殖醫療集團有限公司), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1951), since 31 August 2021 and an independent non-executive director of Vats Liquor Chain Store Management Joint Stock Co., Ltd. (華致酒行連鎖管理股份有限公司), whose A shares are listed on the ChiNext of Shenzhen Stock Exchange (Stock Code: 300755), since 20 April 2022.

Mr. HSU You-yuan, aged 71, has been an Independent Non-Executive Director of the Company since 4 September 2018 and is the chairman of the Nomination Committee and a member of the Environmental, Social and Governance Committee, the Audit Committee and the Remuneration Committee of the Board. Mr. HSU has been the chairman and president of DCH Solargiga GmbH from February 2018 until his retirement on 10 June 2025. He has been a non-executive director of Solargiga Energy Holdings Limited (“Solargiga Energy”) (Stock Code: 757) from June 2016 until his retirement on 10 June 2025. Before that, he served as an executive director from 2007 to 2016 and the chief executive officer in year 2015 of Solargiga Energy. He served as the vice-chairman of Water Works Corp. (“WWX”) (Stock Code: 6182.TWO), which is a manufacturer of silicon wafer for the semiconductor industry, from 2003 to 2007 and served as the managing director of WWX from 1998 to 2003. Mr. HSU's previous work credentials also include acting as deputy general manager of Mosel Vitelic Inc., a company listed on the Taiwan Stock Exchange with stock code 2342 and as a member of the board of directors and executive vice-president of Mosel Vitelic (Hong Kong) Limited, a subsidiary of Mosel Vitelic Inc. Mr. HSU had also made contributions to non-commercial sectors in the past. He served as a researcher, a deputy director, and the director of business department of the Executive Yuan Development Fund of Taiwan (Executive Yuan Development Fund is now known as National Development Fund, Executive Yuan). He was also a lecturer of Statistics and Managerial Mathematics for the business administration department at the Chinese Culture University and published the Supply and Demand Models of Cement in Taiwan in the Taiwan Economy (Issue 59 of 1981) of the Economic Planning and Mobilization Council Taiwan Provincial Government. Mr. HSU has been the chairman of Wu Xian Zheng Mindfulness Association since 13 September 2025. Mr. HSU obtained his bachelor's degree in Statistics from National Cheng Kung University in 1978 and his master's degree in International Business Administration from Chinese Culture University in 1980.

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

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

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

(c) Senior management

Mr. Wang Lei, aged 55, has served as a Director and President of Shandong Shanshui since June 2025. Mr. Wang has more than 30 years of industry experience. He has successively served as Director of the Raw Material Workshop, Factory Director, Deputy General Manager of the Sales Company and Manager of the Urumqi Branch, Executive Deputy General Manager of the Sales Company and Manager of the Urumqi Branch of Tianshan Material Co., Ltd. First Plant; from November 2009 to January 2012, he served as General Manager of the Sales Company of Tianshan Material Co., Ltd.; from January 2012 to March 2019, he served as Vice President of Tianshan Material Co., Ltd.; from March 2019 to December 2021, he served as Vice President of Tianshan Material Co., Ltd. and Chairman of Tianshan Zhuyou Cement Co., Ltd.; from December 2021 to April 2022, he served as Vice President of Xinjiang Cement (Preparatory) and Chairman of Tianshan Zhuyou Cement Co., Ltd.; from March 2022 to January 2025, he served as Secretary of the Party Committee and President of North Cement Co., Ltd.; from January 2025 to April 2025, he served as Secretary of the Party Committee, Chairman and President of North Cement Co., Ltd.; in April 2025, he was appointed as the Secretary of the Party Committee and Chairman of North Cement Co., Ltd.; and in June 2025, he was appointed as the Director and President of Shandong Shanshui. Mr. Wang obtained his EMBA master's degree in Business Administration from China Europe International Business School (CEIBS) in July 2014.

(d) Company secretary

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

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

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

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

Mr. Zhang Jiwu, a member of senior management, resigned from his post in June 2025. Except as described in section headed “(2) Biography of Directors and senior management” of “(VIII) Basic Information on Directors, Senior Management and Employees” of this report, during the Reporting Period, none of the Directors or senior management has been appointed or retired.

3. SERVICE CONTRACTS OF DIRECTORS

The duration of service as a Director is subject to retirement by rotation and re-election in accordance with the Articles of Association.

For the year ended 31 December 2025, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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

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

5. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT FOR THE YEAR

Please refer to Notes 11, 12 and 39(c) to the Financial Statements for details of the remuneration of Directors and senior management of the Group during the Reporting Period.

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

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

5. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT FOR THE YEAR (CONTINUED)

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

6. HIGHEST PAID INDIVIDUALS

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

7. HUMAN RESOURCES

As at 31 December 2025, the Group had a total of 12,959 employees. The Group provides retirement insurance, medical insurance and unemployment insurance and makes contributions to the housing provident scheme for its employees in the PRC in accordance with applicable laws and regulations in the PRC. The Group remunerates its employees based on their respective work performance and experience and reviews its employee remuneration policies as and when appropriate. Please refer to Note 9(b) to the Financial Statements for details of the Group's personnel expenses such as salaries and benefits during the Reporting Period.

(IX) Report on Corporate Governance

CORPORATE GOVERNANCE CULTURE

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

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

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

(IX) Report on Corporate Governance (Continued)

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining good corporate governance standards.

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Listing Rules.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code contained in Appendix C1 to the Listing Rules. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

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

Chairman and Chief Executive Officer

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

The Company did not appoint any Chief Executive Officer and Mr. TENG Yongjun, 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).

For the reasons as set out above, the Board considered that good corporate governance has been achieved throughout the Reporting Period.

(IX) Report on Corporate Governance (Continued)

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (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.

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

BOARD OF DIRECTORS

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

Board Composition

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

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

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

(IX) Report on Corporate Governance (Continued)

BOARD OF DIRECTORS (CONTINUED)

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

Executive Directors

Mr. TENG Yongjun (*appointed on 5 August 2024 as Chairman*)

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

Ms. ZHENG Yingying (*appointed on 31 May 2024*)

Independent Non-Executive Directors

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

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

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

There are no relationships (including financial, business, family or other material/relevant relationship(s)) between the Board members.

Board Meetings

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

Apart from regular Board meetings, the Chairman held one meeting with Independent Non-Executive Directors without the presence of other Directors during the Reporting Period.

(IX) Report on Corporate Governance (Continued)

BOARD OF DIRECTORS (CONTINUED)

Directors' Attendance Records at Board Meetings and General Meetings

During the Reporting Period, the Board held 13 meetings and the Directors' attendance records are as follows:

Name of Directors	Attendance during the Reporting Period
Executive Directors:	
Mr. TENG Yongjun	13/13
Ms. WU Ling-ling	13/13
Ms. ZHENG Yingying	11/13
Independent Non-Executive Directors:	
Mr. CHANG Ming-cheng	13/13
Mr. LI Jianwei	13/13
Mr. HSU You-yuan	13/13

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

Name of Directors	Attendance during the Reporting Period
Executive Directors:	
Mr. TENG Yongjun	1/1
Ms. WU Ling-ling	1/1
Ms. ZHENG Yingying	1/1
Independent Non-Executive Directors:	
Mr. CHANG Ming-cheng	1/1
Mr. LI Jianwei	1/1
Mr. HSU You-yuan	1/1

(IX) Report on Corporate Governance (Continued)

BOARD OF DIRECTORS (CONTINUED)

Chairman and Chief Executive Officer

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

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

Code Provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company did not appoint any Chief Executive Officer and Mr. TENG Yongjun, 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).

(IX) Report on Corporate Governance (Continued)

BOARD OF DIRECTORS (CONTINUED)

Independent Non-Executive Directors

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

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

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

Board Independence

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

The Company established a Board Independence Evaluation Mechanism which sets out the processes and procedures to ensure that independent views are available to the Board and the Board is able to exercise independent judgment to better safeguard Shareholders' interests.

The objectives of such Evaluation Mechanism are to improve Board effectiveness, maximise strengths and expertise contributed by the Directors, and identify the areas that need improvement or further development. The Evaluation Mechanism also clarifies what actions of the Company needs to take in order to maintain and improve the Board's performance - for instance, addressing individual training and development needs of each Director.

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

During the year ended 31 December 2025, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

(IX) Report on Corporate Governance (Continued)

BOARD OF DIRECTORS (CONTINUED)

Appointment and Re-election of Directors

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

The Company's Articles of Association provides that any Director appointed to fill a casual vacancy or as addition to the Board shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be subject to re-election at that meeting.

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

BOARD COMMITTEES

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

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

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

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

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

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

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

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

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

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

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

Continuous Professional Development of Directors

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

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

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

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

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Continuous Professional Development of Directors (Continued)

The individual training record of each existing Director received for the year ended 31 December 2025 is set out as follows:

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

Notes:

- A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

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

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

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Audit Committee

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

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

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

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

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Audit Committee (Continued)

The Audit Committee reviewed the interim and annual consolidated financial statements, including the Group's adopted accounting principles and practices, internal controls, and financial reporting matters in conjunction with the external auditors. The Audit Committee endorsed the accounting treatment adopted by the Company and had the best of its ability assured itself that the disclosure of the financial information in this report complies with the applicable accounting standards and Appendix D2 of the Listing Rules.

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

The results of the Group for the Reporting Period were reviewed by the Audit Committee at the meeting held on 4 March 2026. At such meeting, the Audit Committee considered and approved the audited financial statements of the Company for the Reporting Period prepared in accordance with IFRS and the internal audit report.

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

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

The Audit Committee also met the external auditors twice without the presence of the Executive Directors.

Remuneration Committee

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

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

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Remuneration Committee (Continued)

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

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

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

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

During the Reporting Period, the Remuneration Committee held 10 meetings and the attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance during the Reporting Period
Mr. LI Jianwei	10/10
Mr. CHANG Ming-cheng	10/10
Mr. HSU You-yuan	10/10

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Nomination Committee

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

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

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

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

During the Reporting Period, the Nomination Committee has reviewed the Board Diversity Policy and Director Nomination Policy as well as the nomination procedures and selection process for Director candidates. The Nomination Committee considered that the Board has achieved an appropriate balance of skills, experience and diversity.

During the Reporting Period, the Nomination Committee held 4 meetings and the attendance records of the members of the Nomination Committee are as follows:

Name of Members of the Nomination Committee	Attendance during the Reporting Period
Mr. HSU You-yuan	4/4
Ms. WU Ling-ling	4/4
Ms. ZHENG Yingying	4/4
Mr. CHANG Ming-cheng	4/4
Mr. LI Jianwei	4/4

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Director Nomination Policy

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

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

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

Appointment of New Director

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

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

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Re-election of Director at General Meeting

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

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

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

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

During the year ended 31 December 2025, there was no change in the composition of the Board.

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

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Board Diversity Policy

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

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

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

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

An analysis of the Board's current composition based on the factors set out in the Board Diversity Policy is set out below:

Gender

Male: 4 Directors

Female: 2 Directors

Age Group

41–50: 1 Director

51–60: 3 Directors

61–70: 0 Director

71–80: 2 Directors

Designation

Executive Directors: 3 Directors

Independent Non-executive Directors: 3 Directors

Educational Background

Business Administration: 2 Directors

Account and Finance: 2 Directors

Legal: 2 Directors

Nationality

Chinese: 6 Directors

Business Experience

Accounting & Finance: 2 Directors

Legal: 2 Directors

Experience related to the Company's Business: 2 Directors

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Board Diversity Policy (Continued)

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

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

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

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group as at 31 December 2025:

	Female	Male
Board	33.33%	66.67%
Overall workforce (including senior management)	24.16%	75.84%

The Board currently consists of two female members and is of the view that gender diversity is achieved. The Board targets to maintain at least the current level of female representation. The Nomination Policy can ensure that there will be potential successors to the Board which continues gender diversity within the Board.

The Group operates in the manufacturing industry, and due to industry characteristics, the proportion of male employees is relatively high. However, the Group implements the principle of equal employment, respects and treats employees of different genders fairly, and provides equal opportunities for employees in terms of recruitment, training and development, job promotion and salary and benefits. We will continue to strive to improve female representation and to achieve an appropriate balance of gender diversity across the Group, taking into account the expectations of our Shareholders and recommendations from the Group's management.

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Environmental, Social and Governance Committee

The Environmental, Social and Governance Committee consists of six members, namely Mr. TENG Yongjun, Ms. WU Ling-ling, Ms. ZHENG Yingying, Mr. CHANG Ming-cheng, Mr. LI Jianwei and Mr. HSU You-yuan. Mr. TENG Yongjun was appointed as the chairman of the Environmental, Social and Governance Committee.

The Environmental, Social and Governance Committee is mainly responsible for:

- 1) assisting and managing the Group's environmental, social and governance ("ESG") and climate-related matters and reporting any significant matters to the Board;
- 2) directing and formulating the Company's ESG vision, goals, strategies and structures, as well as reviewing and monitoring the Company's ESG and climate change strategies, policies and practices to ensure that they are aligned with the Company's needs and international standards and comply with applicable laws, regulations and supervisory requirements;
- 3) identifying and prioritizing the Company's major ESG risk issues and making recommendations to the Board;
- 4) establishing risk management and internal control systems, such as ESG and climate change policies and programs, to manage and mitigate ESG and climate change-related risks;
- 5) establishing the Company's ESG and climate change management performance goals and reviewing progress against them, as well as making recommendations to improve performance; and
- 6) reviewing and approving the annual ESG report.

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

Name of Members of the Environmental, Social and Governance Committee	Attendance during the Reporting Period
Mr. TENG Yongjun	2/2
Ms. WU Ling-ling	2/2
Ms. ZHENG Yingying	2/2
Mr. CHANG Ming-cheng	2/2
Mr. LI Jianwei	2/2
Mr. HSU You-yuan	2/2

(IX) Report on Corporate Governance (Continued)

BOARD COMMITTEES (CONTINUED)

Corporate Governance Functions

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM ON OPERATIONS

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

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

- (1) Production management: The Group maintained a product planning, implementation and monitoring system. After discussion and review, the Group issues annual and monthly production plans on a unified basis. In accordance with statistical data generated by the MES system, the Production Management Department of the Group carries out daily reporting and monthly analysis. The Production Management Department is also responsible for providing technical guidance services to ensure smooth implementation of the production plan.

(IX) Report on Corporate Governance (Continued)

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM ON OPERATIONS (CONTINUED)

- (2) Equipment management: The Group has established an equipment examination and process overhaul system. The overhaul of equipment of subsidiaries is carried out by themselves after approval, and acceptance is also implemented by themselves. The Production Management Department of the Group collaborates with various operational areas to remotely monitor data on the operation of equipment to prevent equipment breakdown and accident.
- (3) Quality control: The Group enforces national quality standards and implements comprehensive quality control. The Laboratory of the Development and Technology Department is responsible for quality random inspection and new product research and development of the subsidiaries.
- (4) Financial management: The Group maintains a budgetary system, formulates a set of unified financial management procedures and supervises the financial manager appointment procedures to ensure their independence. It also implements a centralized funding management system. All financing activities are approved by the Group's headquarters and financing sources are arranged on unified channels. The Group implements a strict funding approval procedure. The Group's Treasury Department supervises the use of fund through the funding settlement centre to prevent funding risks.
- (5) Material procurement management: The Group has established a set of material procurement procedures to implement unified bidding procedures and to make purchases by comparing quality and prices for coal, spare parts, supplies and equipment. The Group has also established a supplier management system to strengthen the management of suppliers through regular and irregular assessments to achieve the elimination of the best and the worst. In addition, the Group and its subsidiaries control material procurement risks by monitoring quality, price, inventory and payment through the "one vehicle one inspection, one vehicle one settlement" system for raw materials, and the intelligent storage management system for spare parts.
- (6) Sales management: The Group implements unified policies for regional market development, pricing and product sales, and has been carrying out a "cash before delivery" selling a policy to non-major ordinary customers. The Marketing Centre of the Group monitors invoicing, goods delivery and pricing of its subsidiaries through the intelligent sales system, and collects market information and customer feedbacks to improve the product quality and sales service.
- (7) Project investment management: The Group formulates medium-to-long-term development strategic plans and submits results for approval by the Board before implementation. For construction projects, the Engineer Department at the Group's headquarters carries out project design. The Strategic Department conducts project review, organises project plan demonstration, organises budget review and project supervision; the Procurement Management Department organises a full range of tenders for project design, construction and equipment; the operational areas organises project construction management and production debugging; and the Audit Department performs engineering process audits and final accounts audits.
- (8) Human resources management: The Group maintains policies and procedures for labour contract management, employment, work and rest, performance appraisal, rewards and punishment, and has developed staffing and wage standards on a unified basis for its subsidiaries. The Human Resources Department of the Group has implemented supervision to control employment risks, which is managed by the operational areas and executed by the subordinate companies. The Group implements a unified talent development plan.

(IX) Report on Corporate Governance (Continued)

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM ON OPERATIONS (CONTINUED)

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

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

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

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

INSIDE INFORMATION

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2025.

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

(IX) Report on Corporate Governance (Continued)

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025, the Directors were aware of certain conditions that indicate the existence of material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

The Group had loss for the year of approximately RMB1,091,076,000 and net current liabilities of approximately RMB2,027,310,000. As at 31 December 2025, the Group's total interest-bearing bank loans amounted to RMB5,311,060,000, out of which RMB4,505,890,000 were due within twelve months from the end of the Reporting Period. In addition, there is a winding-up petition against the Company, details of which are disclosed in note 37(b) to the consolidated financial statements, which is pending resolution.

For further details, please refer to the section headed "Material Uncertainties Related to Going Concern" in the Independent Auditors' Report on page 102.

The statement of the external auditors of the Company about their reporting responsibilities on the Financial Statements is set out in the Independent Auditors' Report on pages 102 to 107.

AUDITORS' REMUNERATION

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

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2025 amounted to RMB5,500,000 and RMB800,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company, Moore CPA Limited, in respect of audit services and non-audit services for the year ended 31 December 2025 is set out below:

Service Category	Total Fees (Paid and Payable) <i>(RMB'000)</i>
Audit services	5,500
Non-audit services	
– Agreed-upon procedures of 2025 interim report	800
	6,300

(IX) Report on Corporate Governance (Continued)

COMPANY SECRETARY

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

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

SHAREHOLDERS' RIGHTS

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

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

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

One or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company may also make a requisition to convene an extraordinary general meeting and add resolutions to the meeting agenda. Such requisition shall be made in writing and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company, and such member may add resolutions to the meeting agenda.

(IX) Report on Corporate Governance (Continued)

SHAREHOLDERS' RIGHTS (CONTINUED)

Putting Forward Proposals at General Meetings

1. To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her proposal (“**Proposal**”) with his/her detailed contact information at the Company’s principal place of business in Hong Kong at Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.
2. The request will be verified with the Company’s Hong Kong Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.
3. The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:
 - (a) At least 14 clear days’ and 10 clear business days’ notice in writing if the Proposal constitutes an ordinary resolution in an extraordinary general meeting of the Company;
 - (b) At least 21 clear days’ and 10 clear business days’ notice in writing if the Proposal constitutes a special resolution of the Company in an extraordinary general meeting of the Company or an ordinary resolution of the Company in an annual general meeting of the Company.

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

On 22 May 2025, the Company convened an annual general meeting, at which six ordinary resolutions (including re-election of directors, reappointment of auditors and continuing connected transactions involving the 2025 Mine Development Services Framework Agreement, 2025 Engineering and Technical Services Framework Agreement and 2025 Clinker and Cement Transactions Framework Agreements) were approved and adopted. Details of which were disclosed in the announcement of the Company dated 22 May 2025 in relation to the poll results of the annual general meeting.

(IX) Report on Corporate Governance (Continued)

SHAREHOLDERS' RIGHTS (CONTINUED)

Putting Forward Enquiries to the Board

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

Contact Details

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

Address: Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
(For the attention of the Board of Directors)

Fax: 2956 2192

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

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

(IX) Report on Corporate Governance (Continued)

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS (CONTINUED)

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. During 2025, the Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy. Having considered the multiple channels of communication and engagement in place, the Board consider that the results were satisfactory.

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

(a) Corporate Communication

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

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

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

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

(c) Corporate Website

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

(IX) Report on Corporate Governance (Continued)

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS (CONTINUED)

Shareholders' Communication Policy (Continued)

(d) Shareholders' Meetings

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

(e) Shareholders' Enquiries

Enquiries about Shareholdings

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

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

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send any enquiries to the Board by post to Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

(IX) Report on Corporate Governance (Continued)

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS (CONTINUED)

Shareholders' Communication Policy (Continued)

(f) Other Investor Relations Communication Platforms

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

Amendments to Constitutional Documents

During the year under review, the Board has proposed changes to its Articles of Association. Details of the amendments are set out in the circular dated 25 April 2025 to the Shareholders. Since the special resolution in respect of proposed amendments to the Articles of Association was not passed in the annual general meeting held on 22 May 2025, no changes were made by the Company to the Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Dividend Policy

The Company has adopted a Dividend Policy on payment of dividends. The Board is required to take into account various factors the Board may deem relevant, including but not limited to the Group's actual and expected financial performance, working capital requirements, capital expenditure requirements and commitments, development strategies and plans, overall economic situation, liquidity position, and any restrictions on the declaration and/or payment of dividends. Dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

(X) Major Events

1. MATERIAL LITIGATION IN THE CAYMAN ISLANDS

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

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

The Company was served on 4 June 2019 with a Writ of Summons issued on 27 May 2019 in the Grand Court (the “**Cayman Writ**”). The Cayman 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 Cayman 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 Cayman Writ and Tianrui’s claim.

On 1 July 2022, the Cayman Islands Court of Appeal delivered its judgment ordering that the Cayman 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 Cayman 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. The Privy Council handed down its judgment on 14 November 2024 (the “**Privy Council Judgment**”) allowing Tianrui’s appeal. The effect of the Privy Council Judgment is merely upholding that Tianrui has the standing to proceed with its claim by the Cayman Writ as a shareholder personally. However, the Privy Council did not make any findings as to the factual allegations and merits of Tianrui’s claim, which are matters for the Grand Court to decide at trial.

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.

(X) Major Events (Continued)

1. MATERIAL LITIGATION IN THE CAYMAN ISLANDS (CONTINUED)

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

On 19 March 2021, the 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 Cayman Writ to confine the relief it is seeking to declarations that (i) the exercise by the Company's directors of the power to issue certain convertible bonds on or about 8 August 2018 and/or on about 3 September 2018 was not a valid exercise of the said power; (ii) the exercise by the directors on 30 October 2018 of the power to convert the aforesaid bonds and the power to issue new shares was not a valid exercise of the said powers; and (iii) the exercise by the directors of the power to issue all other shares and securities in the Company after 1 August 2018 was not a valid exercise of the said power.

The hearing took place on 23 May 2022 following which the Grand Court settled the list of issues between the parties to the 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. 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. The Grand Court also made an order dated 7 February 2022 containing directions for discovery, and an order dated 9 April 2024 in respect of the search parameters for discovery and costs of discovery.

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 ("**Validation Application**"). 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. On 26 February 2025, the Grand Court delivered its ruling on the costs of the Validation Application.

On 11 December 2025, the Grand Court delivered a decision among others dismissing Tianrui's application for the Cayman Writ and the Cayman Petition to be heard together.

The Case Management Conference and trial of the Cayman Petition have been respectively fixed for 8 July 2026 and 4 weeks from 12 October 2026.

(X) Major Events (Continued)

1. MATERIAL LITIGATION IN THE CAYMAN ISLANDS (CONTINUED)

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

As to the Cayman Writ, in light of the Privy Council Judgment, the parties are still in the process of submitting the pleadings. It will take some time before the matter could proceed to trial.

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, 3 April 2023 and 15 November 2024.

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.

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.

(X) Major Events (Continued)

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

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

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.

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.

(X) Major Events (Continued)

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

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

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

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

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

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

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

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.

(X) Major Events (Continued)

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

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

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.

On 12 May 2025, the Honourable Mr. Justice Coleman handed down his judgment by which he dismissed all the Company's claims under the action. He also directed that, subject to any submissions by the parties, the question of costs of the action be dealt with by way of paper submissions. Subsequently, the parties filed their written submissions on costs. As of the reporting date, the Honourable Mr. Justice Coleman has yet to hand down his decision on costs of the action.

On 7 November 2025, the Company took out an application for, inter alia, an order that Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai ("**the Non-Parties**") do personally bear the costs of, or alternatively, be jointly and severally liable together with the Plaintiffs for (or do contribute in such proportion as the Court considers appropriate to) the Defendants' costs in the action up to 19 March 2018 (inclusive) ("**the Non-Parties Costs Application**"). Pursuant to the Order of the Honourable Mr. Justice Coleman dated 12 January 2026, the Non-Parties were joined as the 11th and 12th Defendants to the action for the purposes of costs only, and the Non-Parties Costs Application was adjourned for substantive argument with two days reserved pending the filing and service of further evidence.

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.

(X) Major Events (Continued)

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

HCA 548 of 2019 (Continued)

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.

On 2 September 2025, DHCJ Andrew Li handed down decision among others allowing the Plaintiffs' application for an order that HCA 1013 of 2023 (see below) and this action be tried together at the same time or one after another before the same judge.

For further details, please refer to the announcements published by the Company on 29 March 2019 and 4 September 2025 and the subsequent Interim Reports and Annual Reports.

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.

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.

(X) Major Events (Continued)

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

HCA 1013 of 2023 (Continued)

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 "**1013 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 "**1013 Strike-Out Summons**").

On 2 September 2025, DHCJ Andrew Li handed down decision dismissing the 1013 Strike-Out Summons, and allowing the 1013 Hearing Together Summons.

3. PUBLIC FLOAT

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

Independent Auditor's Report



Moore CPA Limited

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To the shareholders of China Shanshui Cement Group Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Shanshui Cement Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 108 to 256, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN

We draw attention to note 3 to the consolidated financial statements, which highlights that the Group had loss for the year of approximately RMB1,091,076,000 and net current liabilities of approximately RMB2,027,310,000 as at 31 December 2025. As at 31 December 2025, the Group’s total interest-bearing bank loans amounted to RMB5,311,060,000, out of which RMB4,505,890,000 were due within twelve months from the end of the Reporting Period. In addition, there is a winding-up petition against the Company, details of which are disclosed in note 37(b), which is pending resolution.

These conditions, along with other matters as set forth in note 3 to the consolidated financial statements, indicate the existence of material uncertainty which may cast significant doubt over the Group’s ability to continue as a going concern. Our opinion is not modified in respect of these matters.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in "Material Uncertainties Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How the matter was addressed in our audit
Impairment assessment on property, plant and equipment, right-of-use assets, intangible assets and goodwill	
<p>We identified the impairment assessment on property, plant and equipment, right-of-use assets, intangible assets and goodwill as a key audit matter due to the involvement of significant judgements and assumptions in estimating the recoverable amounts of the cash-generating units ("CGUs") to which property, plant and equipment, right-of-use assets, intangible assets and goodwill have been allocated.</p> <p>With reference to the financial performance of certain CGUs, the management considered that indications of impairment of certain property, plant and equipment, right-of-use assets, intangible assets and goodwill of the Group belonging to these CGUs existed as at 31 December 2025. Accordingly, the management assessed whether there was any impairment of the property, plant and equipment, right-of-use assets, intangible assets and goodwill belonging to these CGUs, as well as all CGUs containing goodwill, at 31 December 2025 by preparing value-in-use calculations. The value-in-use calculations require the Group to estimate the future cash flows expected to arise from the CGUs and suitable discount rates in order to calculate the present value.</p> <p>The carrying amounts of property, plant and equipment, right-of-use assets, intangible assets and goodwill after recognising impairment losses based on the impairment assessment as at 31 December 2025 performed by management were RMB15,335,905,000, RMB2,345,306,000, RMB1,801,232,000 and RMB14,224,000, respectively, as disclosed in notes 14, 15, 17 and 18 respectively, to the consolidated financial statements.</p>	<p>Our procedures in relation to the impairment assessment on property, plant and equipment, right-of-use assets, intangible assets and goodwill included:</p> <ul style="list-style-type: none"> • We obtained an understanding of the management's process and basis adopted in preparing the cash flow forecasts in respect of the CGUs, including significant assumptions; • We evaluated the competence, capabilities, and objectivity of the external valuers and obtained an understanding of the work of these management's experts; • We challenged the key assumptions adopted by the management in the valuation models, including revenue growth rates, gross margins, operating expenses and capital expenditures in the cash flow projection period, by referring to the industry information and the management's budgets; • We assessed the key factors in determining the discount rates, including the debt and equity ratios, returns on investments and other risk factors of the CGUs, and comparing to discount rates adopted in the cement industry for reasonableness; • We compared the expected changes in projected sales volume, selling prices and direct costs used in the cash flow projection period against historical performance and discussed with the management on revenue growth strategies and cost initiatives in respect of the CGUs; and • We evaluated the sensitivity analysis performed by the management's experts in respect of the growth rates and discount rates to assess the extent of impact on the calculations of the value in use.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How the matter was addressed in our audit
Assessment of loss allowance for expected credit losses on trade receivables and other receivables	
<p>We identified the assessment of loss allowance for expected credit losses on trade receivables and other receivables as a key audit matter as the assessment of expected credit losses involved high level of estimation uncertainty and required exercise of significant management judgement.</p> <p>The carrying amounts of trade receivables and other receivables for which the management has performed assessment of loss allowance for expected credit losses as at 31 December 2025 are RMB808,488,000 and RMB423,050,000 respectively as disclosed in note 35(b)(i) to the consolidated financial statements. Net impairment losses on trade receivables and other receivables of approximately RMB13,910,000 and RMB16,494,000, respectively, were recognised during the year.</p>	<p>Our procedures to evaluate the assessment of loss allowance for expected credit losses on trade receivables and other receivables included:</p> <ul style="list-style-type: none"> • We obtained an understanding of the management's process for credit risk assessment and impairment assessment of allowance for expected credit losses on trade receivables and other receivables; • We evaluated the competence, capabilities, and objectivity of the external valuer and obtained an understanding of the work of the management's experts; • We tested, on a sample basis, the accuracy of aging of trade receivables balances based on invoice date and due date as at the end of the reporting period to the underlying invoices; and • We assessed the reasonableness of the Group's expected credit loss methodology for trade receivables and other receivables, including the model inputs, model design, model performance for significant portfolios.

Independent Auditor's Report (Continued)

OTHER INFORMATION

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

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

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

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

The directors of the Company are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Independent Auditor's Report (Continued)

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

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

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

Independent Auditor's Report (Continued)

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

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

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

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

Moore CPA Limited

Certified Public Accountants

Yau Kit Ling

Practising Certificate Number: P07780

Hong Kong, 4 March 2026

Consolidated Statement of Profit or Loss

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	6(a)	11,560,701	14,509,866
Cost of sales		(9,936,658)	(12,416,024)
Gross profit		1,624,043	2,093,842
Other income	7	189,362	190,143
(Impairment losses)/reversal of impairment on trade receivables, net		(13,910)	10,876
Impairment losses on other receivables, net		(16,494)	(17,083)
Selling and marketing expenses		(242,405)	(279,593)
Administrative expenses		(1,073,075)	(1,168,523)
Other net expenses, gains and losses	8	(255,434)	39,610
Expenses incurred during off-peak suspension		(729,629)	(686,868)
(Loss)/profit from operations		(517,542)	182,404
Finance costs	9(a)	(181,615)	(215,934)
Share of results of associates		(16,182)	(30,511)
Loss before taxation	9	(715,339)	(64,041)
Income tax expense	10(b)	(375,737)	(125,000)
Loss for the year		(1,091,076)	(189,041)
Attributable to:			
Equity shareholders of the Company		(983,007)	(140,608)
Non-controlling interests		(108,069)	(48,433)
Loss for the year		(1,091,076)	(189,041)
Loss per share	13		
Basic (RMB)		(0.23)	(0.03)
Diluted (RMB)		(0.23)	(0.03)

The notes on pages 115 to 256 form parts of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025

	<i>Note</i>	2025 RMB'000	2024 RMB'000
Loss for the year		(1,091,076)	(189,041)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit obligations	28(c)	7,410	(24,720)
Exchange differences arising on translation from functional currency to presentation currency		(17,043)	11,641
Other comprehensive expense for the year		(9,633)	(13,079)
Total comprehensive expense for the year		(1,100,709)	(202,120)
Attributable to:			
Equity shareholders of the Company		(992,640)	(153,687)
Non-controlling interests		(108,069)	(48,433)
Total comprehensive expense for the year		(1,100,709)	(202,120)

The notes on pages 115 to 256 form parts of these consolidated financial statements.

Consolidated Statement of Financial Position

For the year ended 31 December 2025

	Notes	31 December 2025 RMB'000	31 December 2024 RMB'000
Non-current assets			
Property, plant and equipment	14	15,335,905	16,373,192
Right-of-use assets	15	2,345,306	2,228,055
Investment properties	16	37,690	–
Intangible assets	17	1,801,232	1,992,921
Goodwill	18	14,224	14,224
Other financial assets	19	19,195	20,051
Interests in associates	20	395,194	441,976
Deferred tax assets	31(a)	235,586	355,449
Other long-term assets	23(b)	894,157	746,214
		21,078,489	22,172,082
Current assets			
Inventories	21	1,796,870	1,906,613
Trade and bills receivables	22	1,087,542	1,557,819
Prepayments and other receivables	23(a)	880,277	1,129,968
Tax recoverable		92,914	67,886
Restricted bank deposits	24	893,088	692,672
Fixed bank deposits	24	556,025	515,652
Bank balances and cash	24	2,356,613	2,179,627
		7,663,329	8,050,237
Current liabilities			
Bank loans – amount due within one year	25	4,505,890	3,797,750
Trade payables	26	2,729,961	2,966,434
Other payables and accrued expenses	27(a)	1,799,671	2,073,275
Contract liabilities	27(b)	317,900	307,181
Taxation payable		320,550	100,540
Lease liabilities	30	16,667	8,082
		9,690,639	9,253,262
Net current liabilities		(2,027,310)	(1,203,025)
Total assets less current liabilities		19,051,179	20,969,057

Consolidated Statement of Financial Position (Continued)

For the year ended 31 December 2025

	Notes	31 December 2025 RMB'000	31 December 2024 RMB'000
Non-current liabilities			
Bank loans - amount due after one year	25	805,170	1,567,710
Long-term payables	27(c)	543,574	572,618
Defined benefit obligations	28(c)	193,200	131,310
Deferred income	29	347,013	352,602
Lease liabilities	30	154,039	63,278
Deferred tax liabilities	31(a)	24,217	89,333
		2,067,213	2,776,851
Net assets			
		16,983,966	18,192,206
Capital and reserves			
Share capital	33(a)	295,671	295,671
Share premium		8,235,037	8,235,037
Share capital and share premium		8,530,708	8,530,708
Other reserves		8,652,299	9,644,939
Total equity attributable to equity shareholders of the Company			
		17,183,007	18,175,647
Non-controlling interests			
		(199,041)	16,559
Total equity			
		16,983,966	18,192,206

The consolidated financial statements on pages 108 to 256 were approved and authorised for issue by the board of directors on 4 March 2026 and were signed on its behalf by:

TENG Yongjun
Director

WU, Ling-ling
Director

The notes on pages 115 to 256 form parts of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserves	Other reserves	Exchange reserve	Accumulated profits			
	RMB'000	RMB'000 (note 33)	RMB'000 (note 33)	RMB'000 (note 33)	RMB'000 (note 33)	RMB'000	RMB'000	RMB'000	
At 31 December 2023	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 year	-	-	-	-	-	(140,608)	(140,608)	(48,433)	(189,041)
Other comprehensive expense for the year	-	-	-	-	11,641	(24,720)	(13,079)	-	(13,079)
Total comprehensive expense for the year	-	-	-	-	11,641	(165,328)	(153,687)	(48,433)	(202,120)
Transfer between reserves	-	-	26,717	-	-	(26,717)	-	-	-
Appropriation to maintenance and production funds	-	-	201,703	-	-	(201,703)	-	-	-
Utilisation of maintenance and production funds	-	-	(232,949)	-	-	232,949	-	-	-
Distribution to non-controlling interests	-	-	-	-	-	-	-	(4,575)	(4,575)
Disposal of a subsidiary (note 34)	-	-	(5,462)	-	-	5,462	-	(4,463)	(4,463)
At 31 December 2024	295,671	8,235,037	2,345,933	218,074	(353,244)	7,434,176	18,175,647	16,559	18,192,206
Loss for the year	-	-	-	-	-	(983,007)	(983,007)	(108,069)	(1,091,076)
Other comprehensive expense for the year	-	-	-	-	(17,043)	7,410	(9,633)	-	(9,633)
Total comprehensive expense for the year	-	-	-	-	(17,043)	(975,597)	(992,640)	(108,069)	(1,100,709)
Transfer between reserves	-	-	10,442	-	-	(10,442)	-	-	-
Appropriation to maintenance and production funds	-	-	174,850	-	-	(174,850)	-	-	-
Utilisation of maintenance and production funds	-	-	(167,177)	-	-	167,177	-	-	-
Distribution to non-controlling interests	-	-	-	-	-	-	-	(74,996)	(74,996)
Lapsed of share option scheme	-	-	-	(73,423)	-	73,423	-	-	-
Derecognition of a subsidiary	-	-	(1,040)	-	-	1,040	-	(32,535)	(32,535)
At 31 December 2025	295,671	8,235,037	2,363,008	144,651	(370,287)	6,514,927	17,183,007	(199,041)	16,983,966

The notes on pages 115 to 256 form parts of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Operating activities			
Loss before taxation		(715,339)	(64,041)
Adjustments for:			
Depreciation	9(c)	1,058,343	1,127,893
Depreciation of right-of-use assets	9(c)	119,124	87,738
Depreciation of investment properties	9(c)	630	–
Amortisation of intangible assets	9(c)	210,991	208,978
Amortisation of deferred income	7	(19,647)	(18,845)
Impairment losses on property, plant and equipment, net of reversal	8	207,817	5,536
Impairment losses on intangible assets	8	990	–
Impairment losses on goodwill	8	–	40,908
Impairment losses/(reversal of impairment losses) on trade receivables, net		13,910	(10,876)
Impairment losses on other receivables, net		16,494	17,083
Impairment losses on inventories	9(c)	20,448	18,145
Finance costs	9(a)	181,615	215,934
Share of results of associates		16,182	30,511
Interest income	7	(26,107)	(31,425)
Reversal of payables	7	(21,467)	–
Net loss/(gain) from disposal of property, plant and equipment	8	4,259	(3,527)
Loss/(gain) from disposal of intangible assets	8	24,278	(99,188)
Gain on early termination of lease		1,094	–
Loss/(gain) on fair value changes of financial assets at FVTPL	8	856	(3,530)
Gain on disposal of a subsidiary	8	–	(15,882)
Loss on disposal of associates	8	–	2,781
Net foreign exchange (gain)/loss	8	(25,859)	16,810
		1,068,612	1,525,003
Changes in working capital:			
Decrease in inventories		83,593	218,733
Decrease in trade and bills receivables		455,950	196,205
Decrease in prepayments and other receivables		244,398	102,478
Decrease/(increase) in restricted bank deposits		67,083	(82,214)
Decrease in other long-term assets		(144,243)	(19,532)
Decrease in trade payables		(273,417)	(1,008,636)
Decrease in other payables and accrued expenses		(287,571)	(187,412)
Increase in defined benefit obligations		69,300	13,390
Increase in deferred income		14,058	55,440
Decrease in long-term payables		(39,828)	(49,684)
Cash generated from operations		1,257,935	763,771
Interest paid		(140,557)	(160,984)
Income tax paid		(125,529)	(64,614)
Net cash generated from operating activities		991,849	538,173

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
Investing activities		
Interest received	26,107	31,425
Withdrawal of fixed bank deposits	515,652	512,481
Placement of fixed bank deposits	(556,025)	(515,652)
Payment for purchase of property, plant and equipment	(232,038)	(478,503)
Payment for purchase of intangible assets	(29,416)	(260,809)
Payment for capital injection in financial assets at FVTPL	–	(1,341)
Deposits paid for purchase of property, plant and equipment	(71,996)	(38,637)
Payment for purchase of land lease prepayments (included in right-of-use assets)	(160,413)	(46,166)
Proceed from disposal of property, plant and equipment	53,438	8,257
Proceed from disposal of intangible assets	–	105,139
Net cash inflow on disposal of a subsidiary	–	25,871
Proceed from disposal of associates	–	8,977
Dividend received from an associate	30,600	–
Net cash used in investing activities	(424,091)	(648,958)
Financing activities		
Proceeds from new loans and borrowings	4,719,450	6,311,750
Repayment of loans and borrowings	(5,041,349)	(6,265,351)
Dividends paid to non-controlling interests	(24,306)	(4,575)
Repayment of lease liabilities	(34,238)	(13,832)
Net cash (used in)/generated from financing activities	(380,443)	27,992
Net increase/(decrease) in cash and cash equivalents	187,315	(82,793)
Cash and cash equivalents at 1 January	2,179,627	2,254,037
Effect of foreign exchange rate changes	(10,329)	8,383
Cash and cash equivalents at 31 December, representing bank balances and cash	2,356,613	2,179,627

The notes on pages 115 to 256 form parts of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

1. GENERAL INFORMATION

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

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

The Company is an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 41 and 20, respectively.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to an IFRS Accounting Standard as issued by the International Accounting Standards Board (the “**IASB**”) for the first time, which is mandatorily effective for the annual period beginning on or after 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to IAS 21 “The Effects of Changes in Foreign Exchange Rates”	Lack of Exchangeability
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The application of the amendments to an IFRS Accounting Standard in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS (CONTINUED)

New and amendments to IFRS Accounting Standards in issue but not yet effective

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

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ³
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 ²
IFRS 18	Presentation and Disclosure in Financial Statements ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or 1 January 2026.

³ Effective for annual periods beginning on or 1 January 2027.

Except as described below, the directors of the Company anticipate that the application of the new and amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 “Presentation and Disclosure in Financial Statements”, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 “Presentation of Financial Statements”. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the consolidated financial statements and improve aggregation and disaggregation of information to be disclosed in the consolidated financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (the title of which will be changed to “Basis of Preparation of Financial Statements” upon the effect data of IFRS 18) and IFRS 7. Minor amendments to IAS 7 “Statement of Cash Flows” and IAS 33 “Earnings per Share” are also made.

The application of IFRS 18 is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The material accounting policy information is set out as per note 4.

3.1 Going concern basis

The Group reported a net loss of RMB1,091,076,000 for the year ended 31 December 2025 and as at that date, the Group had net current liabilities of RMB2,027,310,000. As at the same date, the Group had total interest-bearing bank loans amounting to RMB5,311,060,000, out of which RMB4,505,890,000 are due within twelve months from the end of the Reporting Period. In addition, there is a winding-up petition against the Company, details of which are disclosed in note 37(b), which is pending resolution.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

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

3.1 Going concern basis (Continued)

The consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 31 December 2025 and subsequently thereto up to the date when the consolidated financial statements are authorised for issue. In order to mitigate the liquidity pressure, to improve its financial position, and to sustain the Group as a going concern, certain plans and measures have been and will be taken by the Group which include, but are not limited to, the following:

- i. For borrowings of the Group, the management will actively negotiate with the banks before they fall due to secure their renewals. The directors do not expect to experience significant difficulties in renewing most of these bank borrowings upon their maturities and there is no indication that these bank lenders will not renew the existing bank borrowings upon the Group's request. The directors have evaluated the relevant facts and circumstances available to them and the historical experience and are of the opinion that the Group would be able to renew such borrowings upon maturity.
- ii. The Group is implementing cost control measures in costs of sales and administrative expenses 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 directors of the Company have carried out a detailed review of the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from the end of the Reporting Period. On the basis of the successful implementation of the plans and measures described above in the foreseeable future, borrowings of the Group will be able to be renewed and after assessing the Group's current and forecasted cash positions, the directors of the Company are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2025. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue in business as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Basis of consolidation (Continued)

Changes in the Group's interests in existing subsidiaries

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Goodwill

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

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

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

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Investments in associates (Continued)

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

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

Revenue from contracts with customers

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of plants and buildings, equipment, motor vehicles and land lease prepayment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets

The cost of right-of-use assets include:

- the amounts of the initial measurement of the lease liabilities; and
- any lease payments made at or before the commencement date.

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

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

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

Leasehold land and building

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments).

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leases (Continued)

The Group as a lessor (Continued)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification for operating leases

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the ECL and derecognition requirements under IFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Foreign currencies

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

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

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

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

Borrowing costs

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Government grants

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

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

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

Employee benefits

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

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

(ii) Defined benefit retirement plan obligations

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Employee benefits (Continued)

(ii) Defined benefit retirement plan obligations (Continued)

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

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

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

Equity-settled share-based payment transactions

(i) Share options granted to employees

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Taxation

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Taxation (Continued)

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities and ultimate costs incurred for provisions for decommissioning and restoration, the Group applies IAS 12 "Income Tax" requirements to the lease liabilities and the provisions for decommissioning and restoration and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities and the provisions for decommissioning and restoration to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

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

Property, plant and equipment

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Property, plant and equipment (Continued)

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets (other than goodwill)

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Intangible assets (other than goodwill) (Continued)

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Bank balances and cash

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

Inventories

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

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

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

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

Provisions

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Contingent liabilities

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

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

Financial instruments

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

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

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

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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

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

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

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

(i) Amortised cost and interest income

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Financial assets at FVTPL

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes/excludes any dividend or interest earned on the financial asset and is included in the “other net expenses” line item. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL (Continued)

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

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

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

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

The Group recognises an impairment loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other net expenses, gains and losses' line item (note 8) as part of the net foreign exchange gains/(losses).

Derecognition of financial assets

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other net expenses, gains and losses' line item in profit or loss (note 8) as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Related parties

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

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

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependents of that person or that person's spouse or domestic partner.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Segment reporting

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(i) Impairments

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

In considering the impairment losses that may be required for the property, plant and equipment, right-of-use assets and intangible assets of certain subsidiaries located in the Shandong Province, Shanxi Province and Northeastern China, the recoverable amounts of the assets need to be determined. The recoverable amount is the greater of fair value less cost of disposal and the value in use. It is difficult to precisely estimate fair value less cost of disposal because quoted market prices for these assets may not be readily available. In the impairment assessment of these assets, the value in use of the cash-generating units (“CGUs”) to which these assets belong are estimated. In determining the value in use of the CGUs, expected cash flows generated in the CGUs are discounted to their present values, which require significant judgement relating to items such as the discount rates, growth rates and the projected sales volume, selling price, direct costs, gross margin and other related expenses. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, or upward revision of discount rate, a material impairment loss or a further impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to change due to ongoing uncertain macroeconomic and geopolitical environment, which includes the persistent effects of climate change, higher interest rates, changes in commodity prices, volatility in energy prices and changes in regulatory environment. The management also conducted a review for idle and/or obsolete assets in respect of the Group’s production assets, details of the review are disclosed in note 14(g).

As at 31 December 2025, the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets are RMB15,335,905,000, RMB2,345,306,000 and RMB1,801,232,000, respectively (2024: RMB16,373,192,000, RMB2,228,055,000 and RMB1,992,921,000, respectively). During the year ended 31 December 2025, net impairment loss of RMB207,817,000 and RMB990,000 (2024: RMB4,681,000 and RMB nil) has been recognised in respect of the property, plant and equipment and intangible assets, respectively, of certain subsidiaries located in the Shandong Province, Shanxi Province and Northeastern China based on the impairment assessments performed in respect of the subsidiaries as cash generating units.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(i) Impairments (Continued)

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

In addition, based on the review of the Group's production assets conducted by the management of the Group in 2024, certain assets of subsidiaries located in the Shanxi Province were idle and/or obsolete and that it is expected that these assets would not generate future benefit to the Group. Accordingly, impairment loss of RMB855,000 (2025:RMB nil) was recognised in respect of those assets.

Details of the recoverable amount calculation and review of the Group's production assets are disclosed in notes 14, 15 and 17 respectively.

– **Goodwill**

Determining whether goodwill allocated to subsidiaries located in the Shandong Province and the Northeast China is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less cost of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit. In determining the value in use, expected cash flows generated by the cash-generating unit are discounted to their present values, which require significant judgement relating to items such as the discount rates, growth rates and the projected sales volume, selling price, direct costs, gross margin and other related expenses. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, or upward revision of discount rate, a material impairment loss or a further impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to change due to ongoing uncertain macroeconomic and geopolitical environment, which includes the persistent effects of climate change, higher interest rates and inflation and energy security concerns. As at 31 December 2025, the carrying amount of goodwill is RMB14,224,000 (2024: RMB14,224,000), which is net of accumulated impairment loss of RMB2,413,582,000 (2024: RMB2,413,582,000). Details of the recoverable amount calculation are disclosed in note 18.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(i) Impairments (Continued)

– Provision of ECL for trade receivables and other receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and other receivables are disclosed in note 35(b)(i).

As at 31 December 2025, the carrying amounts of trade receivables and other receivables for which the management has performed assessment of loss allowance for ECL are RMB808,488,000 and RMB423,050,000 respectively (2024: RMB1,156,054,000 and RMB498,100,000, respectively).

– Inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market condition. The Group will reassess the estimations at each statement of financial position date. As at 31 December 2025, carrying amount of inventories is RMB1,796,870,000 (2024: RMB1,906,613,000).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(ii) Deferred tax asset

As at 31 December 2025, deferred tax assets of RMB235,586,000 (2024: RMB355,449,000) have been recognised in the consolidated statement of financial position as disclosed in note 31. As the deferred tax assets cannot be recognised unless the unused tax losses and deductible temporary differences are probable for deduction against future taxable profits, the Group estimates the expected realisation of these deductible temporary differences by reference to expected future taxable profits. The realisability of the deferred tax asset mainly depends on whether sufficient taxable profits will be available in the foreseeable future or taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary differences, which is a key source of estimation uncertainty. The uncertainty would depend on how the ongoing uncertain macroeconomic and geopolitical environment, which includes the persistent effects of climate change, changes in commodity prices, volatility in energy prices and changes in regulatory environment. The Group reviews the judgment continuously and recognises additional deferred tax assets if taxable profits are probable to be generated. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

(iii) Actuarially determined benefit obligations

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

6. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

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

	2025 RMB'000	2024 RMB'000
Sales of cement	9,510,657	11,773,070
Sales of clinker	1,038,898	1,501,593
Sales of concrete	425,299	678,275
Sales of other products and services	585,847	556,928
	11,560,701	14,509,866

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (Continued)

(i) Performance obligations for contracts with customers

Sales of cement, clinker, concrete and other products (revenue recognised at one point in time)

The Group sells cement, clinker, concrete and other products directly to customers.

Revenue is recognised when control of the goods has transferred, i.e. when the goods have been transferred out from the Group's warehouse (delivery). After leaving the warehouse, the customers have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when selling the goods, and bear the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 60 days for cement, clinker and other products' customers and 90 to 180 days for concrete customers after delivery.

A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration from the customer.

Revenue from rendering of delivery services (revenue recognised over time)

The Group also provides delivery services to customers.

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

(ii) Transaction price allocated to the remaining performance obligation for contract with customers

All performance obligations for sale of cement, clinker, concrete and other products and delivery services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities

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

- Segment assets include all tangible and intangible non-current assets and current assets, with the exception of interests in associates, deferred tax assets and other corporate assets. Segment liabilities include trade payables, other payables and accrued expenses, contract liabilities, bank loans managed directly by the segments and lease liabilities.
- Revenue and expenses are allocated to the operating segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.
- Segment results represent profits earned by each segment without allocation of share of results of associates, (loss)/gain on fair value changes of financial assets at FVTPL, gain on disposal of a subsidiary, loss on disposal of associates, unallocated other income, head office administrative 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.
- In addition to receiving segment information concerning adjusted profit before taxation, the CODM is provided with segment information concerning revenue, interest income from bank balances, interest expenses on borrowings managed directly by the segments, depreciation and amortisation, impairment losses on and additions to non-current segment assets used by the segments in their operations, net impairment losses on trade and bills receivables and other receivables, and government grants. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2025 and 2024 is set out below.

	2025					2024				
	Shandong Province RMB'000	Northeastern China RMB'000	Shanxi Province RMB'000	Xinjiang Region RMB'000	Total RMB'000	Shandong Province RMB'000	Northeastern China RMB'000	Shanxi Province RMB'000	Xinjiang Region RMB'000	Total RMB'000
Disaggregated by timing of revenue										
Point in time	6,683,273	3,066,731	1,423,152	375,845	11,549,001	8,352,426	3,848,616	1,871,131	425,929	14,498,102
Over time	7,690	837	2,901	272	11,700	6,455	1,863	3,253	193	11,764
Revenue from external customers	6,690,963	3,067,568	1,426,053	376,117	11,560,701	8,358,881	3,850,479	1,874,384	426,122	14,509,866
Inter-segment revenue (note)	427,867	3,873	8,450	-	440,190	657,002	23,432	6,768	-	687,202
Reportable segment revenue	7,118,830	3,071,441	1,434,503	376,117	12,000,891	9,015,883	3,873,911	1,881,152	426,122	15,197,068
Reportable segment (loss)/profit (adjusted (loss)/profit before taxation)	(228,458)	(111,648)	(184,960)	81,580	(443,486)	(67,370)	337,673	(121,842)	90,933	239,394
Reportable segment assets	14,172,159	6,949,071	4,754,322	686,819	26,562,371	14,490,906	7,219,224	4,970,604	749,298	27,430,032
Reportable segment liabilities	6,625,472	1,297,642	634,771	55,928	8,613,813	6,501,949	1,067,904	727,019	34,157	8,331,029

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

	2025					Total RMB'000
	Shandong Province RMB'000	Northeastern China RMB'000	Shanxi Province RMB'000	Xinjiang Region RMB'000	Unallocated RMB'000	
Included in arriving at segment results are:						
Interest income	13,465	401	1,068	6	11,167	26,107
Finance costs	(84,498)	(8,264)	(7,277)	(127)	(81,449)	(181,615)
Depreciation and amortisation for the year	(672,047)	(349,428)	(324,084)	(33,358)	(10,171)	(1,389,088)
(Impairment losses)/reversal of impairment on property, plant and equipment	(147,602)	(49,673)	(10,542)	–	–	(207,817)
Impairment losses on intangible assets	(990)	–	–	–	–	(990)
Impairment losses on goodwill	–	–	–	–	–	–
(Impairment losses)/reversal of impairment on trade receivables, net	(14,697)	169	538	86	(6)	(13,910)
(Impairment losses)/reversal of impairment on other receivables, net	(10,782)	(1,926)	2,964	(500)	(6,250)	(16,494)
Gain/(loss) from disposal of intangible assets	10,122	(34,400)	–	–	–	(24,278)
Government grant	45,167	23,160	22,293	1,431	323	92,374
Additions to non-current assets						
Property, plant and equipment	119,346	170,533	66,999	2,795	519	360,192
Right-of-use assets	111,073	166,912	4,916	2,401	1,113	286,415
Investment properties	500	–	–	–	–	500
Intangible assets	32,643	45,878	–	42	–	78,563

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

	2024					Total RMB'000
	Shandong Province RMB'000	Northeastern China RMB'000	Shanxi Province RMB'000	Xinjiang Region RMB'000	Unallocated RMB'000	
Included in arriving at segment results are:						
Interest income	12,074	109	1,050	12	18,180	31,425
Finance costs	(109,576)	(4,469)	(5,053)	(54)	(96,782)	(215,934)
Depreciation and amortisation for the year	(678,453)	(352,118)	(334,347)	(48,485)	(11,206)	(1,424,609)
(Impairment losses)/reversal of impairment on property, plant and equipment	(62,823)	57,398	(111)	–	–	(5,536)
Impairment losses on goodwill	(40,908)	–	–	–	–	(40,908)
(Impairment losses)/reversal of impairment on trade receivables, net	11,663	125	(844)	(68)	–	10,876
(Impairment losses)/reversal of impairment on other receivables, net	(13,637)	1,105	(3,471)	–	(1,080)	(17,083)
Gain/(loss) from disposal of intangible assets	99,188	–	–	–	–	99,188
Government grant	43,905	34,117	31,450	2,002	370	111,844
Additions to non-current assets						
Property, plant and equipment	260,786	388,101	134,245	2,071	961	786,164
Right-of-use assets	52,678	12,778	4,091	1,256	–	70,803
Intangible assets	287,505	19,426	248,700	28,413	78	584,122

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

	2025 RMB'000	2024 RMB'000
Revenue		
Reportable segment revenue	12,000,891	15,197,068
Elimination of inter-segment revenue	(440,190)	(687,202)
Consolidated revenue	11,560,701	14,509,866
Profit		
Reportable segment (loss)/profit	(443,486)	239,394
Elimination of inter-segment profit	(71,437)	(57,972)
Reportable segment (loss)/profit derived from		
Group's external customers	(514,923)	181,422
Share of results of associates	(16,182)	(30,511)
(Loss)/gain on fair value changes of financial assets at FVTPL	(856)	3,530
Gain on disposal of a subsidiary	–	15,882
Loss on disposal of associates	–	(2,781)
Unallocated other income	11,812	18,555
Unallocated finance costs	(81,449)	(96,782)
Unallocated head office administrative expenses (note)	(113,741)	(153,356)
Consolidated loss before taxation	(715,339)	(64,041)

Note: Unallocated head office administrative expenses included depreciation and amortisation for the year, net impairment losses on trade receivables, net impairment losses on other receivables and other administrative expenses attributable to the headquarters of the Group.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Assets		
Reportable segment assets	26,562,371	27,430,032
Elimination of inter-segment profit	(23,317)	(26,130)
Elimination of inter-segment receivables	(677,756)	(374,351)
	25,861,298	27,029,551
Deferred tax assets	235,586	355,449
Interests in associates	395,194	441,976
Unallocated head office assets	2,249,740	2,395,343
Consolidated total assets	28,741,818	30,222,319
Liabilities		
Reportable segment liabilities	8,613,813	8,331,029
Elimination of inter-segment payables	(677,756)	(374,351)
	7,936,057	7,956,678
Deferred tax liabilities	24,217	89,333
Unallocated bank loans	2,838,750	3,254,750
Unallocated head office liabilities	958,828	729,352
Consolidated total liabilities	11,757,852	12,030,113

(iii) Geographical information

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

(iv) Information about major customers

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

7. OTHER INCOME

	Notes	2025 RMB'000	2024 RMB'000
Interest income		26,107	31,425
Government grants	(i)	92,374	111,844
Amortisation of deferred income	29	19,647	18,845
Reversal of payables	(ii)	21,467	–
Others		29,767	28,029
		189,362	190,143

Notes:

- (i) 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.
- (ii) During the year, the Group recognised a gain of RMB21,467,000 (2024: RMB nil) arising from the reversal of trade and other payables following the deregistration of certain creditors in the PRC. The payables were reversed as the directors of the Company consider that the Group no longer has a present obligation in respect of the payment of these balances.

8. OTHER NET EXPENSES, GAINS AND LOSSES

	Notes	2025 RMB'000	2024 RMB'000
Net foreign exchange gain/(loss)		25,859	(16,810)
Net (loss)/gain from disposal of property, plant and equipment		(4,259)	3,527
Net (loss)/gain from disposal of intangible assets	(i)	(24,278)	99,188
Impairment losses on property, plant and equipment, net of reversal	14	(207,817)	(5,536)
Impairment losses on intangible assets	17	(990)	–
Impairment losses on goodwill	18	–	(40,908)
(Loss)/gain on fair value changes of financial assets at FVTPL		(856)	3,530
Loss on early termination of lease		(1,094)	–
Gain on disposal of a subsidiary	34	–	15,882
Loss on disposal of associates		–	(2,781)
Donations		(3,321)	(5,427)
Others		(38,678)	(11,055)
		(255,434)	39,610

Notes:

- (i) During the year ended 31 December 2024, the Group disposed of certain intangible assets under relocation compensation agreement for highway construction projects and received cash consideration amounting to RMB105,139,000, tax inclusive, which resulted in a gain on disposal of RMB99,188,000 (2025: nil).

During the year ended 31 December 2025, the Group disposed of certain expired mining rights with aggregate carrying amount of RMB58,271,000 to the local government authorities, net off with aggregate payables for reclamation cost for environmental restoration and constructions of RMB33,993,000 provided on the mining rights in previous years, resulting in a net loss on disposal of RMB24,278,000 (2024: nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

9. LOSS BEFORE TAXATION

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

(a) Finance costs

	Notes	2025 RMB'000	2024 RMB'000
Interest on bank loans	38(a)	141,054	160,393
Interest on lease liabilities		12,237	2,921
Less: capitalised interest expenses	(i)	(20,294)	(18,874)
Net interest expenses		132,997	144,440
Bank charges		20,885	37,846
Unwinding of discount	(ii)	27,733	33,648
		181,615	215,934

Notes:

- (i) The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation related to construction of plant was 3.48% for the year ended 31 December 2025 (2024: 4.12%).
- (ii) This item represents the unwinding of discount for the following liabilities using the effective interest rate:

	Notes	2025 RMB'000	2024 RMB'000
Defined benefit obligations	28(c)	2,260	2,730
Long-term payables	27(c)	25,473	30,918
		27,733	33,648

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

9. LOSS BEFORE TAXATION (CONTINUED)

(b) Personnel expenses (including directors' remunerations)

	<i>Note</i>	2025 RMB'000	2024 <i>RMB'000</i>
Salaries, wages and other benefits		1,376,971	1,405,617
Bonus and awards		75,392	87,646
Staff's pension costs		243,741	279,768
Expense recognised in respect of defined benefit obligations	28(c)	76,640	21,860
		1,772,744	1,794,891

(c) Other items

	2025 RMB'000	2024 <i>RMB'000</i>
Depreciation of property, plant and equipment	1,058,343	1,127,893
Depreciation of right-of-use assets	119,124	87,738
Depreciation of investment properties	630	–
Amortisation of intangible assets	210,991	208,978
Total depreciation and amortisation	1,389,088	1,424,609
Auditors' remuneration		
– audit and assurance services	5,500	5,800
– other services	800	800
	6,300	6,600
Cost of inventories sold	9,916,210	12,397,879
Impairment losses on inventories (included in cost of sales)	20,448	18,145
Repair and maintenance costs included in expenses incurred during off-peak suspension	267,438	242,002

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

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

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
The charge comprises:		
PRC Enterprise Income Tax ("EIT"):		
Current tax	92,489	150,852
Under/(over) provision in respect of prior years	26,211	(1,491)
Withholding tax on distributed profit of PRC subsidiaries	201,810	–
	320,510	149,361
Deferred tax:		
Current year	57,492	(24,361)
Attributable to a change in tax rate	(2,265)	–
	375,737	125,000

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

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

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

	Notes	2025 RMB'000	2024 RMB'000
Loss before taxation		(715,339)	(64,041)
Tax at the domestic income tax rate of 25% (2024: 25%)	(i)	(178,835)	(16,010)
Tax rate differential in foreign jurisdictions	(ii)	1,319	7,978
Tax effect of expenses not deductible for tax purpose		158,430	58,403
Tax effect of income not taxable for tax purpose		(45,157)	(49,771)
Tax effect of tax losses not recognised		216,582	157,904
Tax effect of unrecognised prior year's tax losses utilised during the year		(41,587)	(50,404)
Tax effect of deductible temporary differences not recognised		47,572	27,559
Tax effect of unrecognised prior year's deductible temporary differences utilised during the year		(8,349)	(6,496)
Effect of tax credit	(iii)	(1,607)	(894)
Effect of income tax at concessionary rate		(4,697)	(9,406)
Under/(over) provision in respect of prior year		26,211	(1,491)
Tax effect of share of results of associates		4,045	7,628
Withholding tax on distributed profits of subsidiaries operating in the PRC	(iv)	201,810	–
Income tax expense		375,737	125,000

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

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

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

Notes:

- (i) The Group's PRC subsidiaries are subject to PRC EIT at the statutory rate of 25% (2024: 25%) unless otherwise specified.

Certain subsidiaries which are recognised as High and New-tech Enterprises have been granted tax concessions by the local tax bureau and are entitled to PRC EIT at concessionary rate of 15% for both years. One of these subsidiaries has ceased to be recognised as High and New-tech Enterprises in 2025 and is subject to PRC EIT at the statutory rate of 25% for the year ended 31 December 2025.

Concession rate of 15% is granted by the local tax authorities in western region expiring in 2030. According to the Notice of the Continuation of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (Notice of the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission No. 23 [2020]) issued on 23 April 2020, companies located in the western region of the PRC and engaged in the business encouraged by the PRC government are entitled to the preferential EIT rate of 15% from 1 January 2021 to 31 December 2030 if the operating revenue of the encouraged business in a year accounted for more than 60% of the total income in that year. A subsidiary which is located in western region and is engaged in the encouraged business, are entitled to enjoy the preferential EIT rate of 15% in the respective years.

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

The Company and its subsidiaries incorporated in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (2024: 16.5%). No provision for Hong Kong Profits Tax has been made as the Company and the subsidiaries incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for both years.

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

- (iv) Withholding tax is imposed on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward at a tax rate of 10% under the PRC Enterprise Income Tax Law.

During the current year, the Company, which controls the dividend policy of its PRC subsidiaries, approved the declaration of dividends of certain PRC subsidiaries to their respective shareholders. Withholding tax of RMB201,810,000 was imposed on such dividends declared to an intermediate holding company incorporated in Hong Kong which is a subsidiary of the Company.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

11. DIRECTORS' REMUNERATION

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

	Directors' fees <i>RMB' 000</i>	Salaries, allowances and other benefits <i>RMB' 000</i>	Contributions to defined contribution retirement plans <i>RMB' 000</i>	Total <i>RMB' 000</i>
For the year ended 31 December 2025				
Chairman, Executive directors				
TENG Yongjun (note (i))	1,583	635	85	2,303
Executive directors				
WU Ling-ling	2,637	–	–	2,637
ZHENG Yingying (note (iii))	–	–	–	–
Independent non-executive directors				
CHANG Ming-cheng	1,093	–	–	1,093
LI Jianwei	867	–	–	867
HSU You-yuan	867	–	–	867
Total	7,047	635	85	7,767

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

11. DIRECTORS' REMUNERATION (CONTINUED)

	Directors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Contributions to defined contribution retirement plans RMB'000	Total RMB'000
For the year ended 31 December 2024				
Chairman, Executive directors				
TENG Yongjun (note (i))	–	1,029	36	1,065
LI Huibao (note (ii))	–	1,500	–	1,500
Executive directors				
WU Ling-ling	2,689	–	–	2,689
ZHENG Yingying (note (iii))	–	–	–	–
HOU Jianguo (note (iv))	–	–	–	–
Independent non-executive directors				
CHANG Ming-cheng	1,345	–	–	1,345
LI Jianwei	884	–	–	884
HSU You-yuan	884	–	–	884
Total	5,802	2,529	36	8,367

Notes:

- (i) Mr. TENG Yongjun was appointed as an executive director and the chairman of the Company with effect from 5 August 2024.
- (ii) Mr. LI Huibao resigned as an executive director and the chairman of the Company with effect from 31 May 2024.
- (iii) Ms. ZHENG Yingying was appointed as an executive director of the Company with effect from 31 May 2024.
- (iv) Mr. HOU Jianguo resigned as an executive director of the Company with effect from 31 May 2024.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group for the year. The independent non-executive directors' emoluments shown above were for their services as directors of the Company for the year.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

All five individuals with the highest emoluments are directors (2024: three directors) and emoluments of such directors are disclosed in note 11.

The remaining two individuals who were among the five individuals with the highest emoluments during the year ended 31 December 2024 were employees of the Group and their emoluments are as follows:

	2025 RMB'000	2024 <i>RMB'000</i>
Salaries, allowances and other benefits	–	2,183
Contributions to defined contribution retirement plans	–	87
	–	2,270

The emoluments of the remaining two individuals with the highest emoluments for 2024 are within the following bands:

	2025 Number of individuals	2024 Number of individuals
HK\$1,000,001 to HK\$1,500,000	–	2

Save as disclosed above, no emoluments have been paid by the Group to any directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office for the year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to equity shareholders of the Company is based on the following figures:

	2025 RMB'000	2024 RMB'000
<u>Loss figures are as follows:</u>		
Loss for the year attributable to equity shareholders of the Company and loss for the purposes of basic and diluted loss per share	(983,007)	(140,608)
<u>Number of shares:</u>		
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 prices of these share options were higher than the average market price of the shares of the Company for the years ended 31 December 2025 and 2024. Such share options lapsed on 27 January 2025 (note 32). Accordingly, the Company has no outstanding share options as at 31 December 2025.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

14. PROPERTY, PLANT AND EQUIPMENT

	Plants and buildings RMB'000	Equipment RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 2024	15,343,663	16,855,128	592,434	1,126,664	33,917,889
Additions	45,722	51,123	5,004	684,315	786,164
Transfers	384,278	320,607	2,612	(707,497)	–
Disposals	(11,716)	(89,188)	(33,333)	–	(134,237)
Disposal of a subsidiary (note 34)	(32,611)	(22,338)	(1,262)	–	(56,211)
At 31 December 2024	15,729,336	17,115,332	565,455	1,103,482	34,513,605
Additions	36,454	15,045	12,915	295,778	360,192
Transfers	391,375	340,825	11,326	(743,526)	–
Transfer to investment properties (note 16)	(54,779)	–	–	–	(54,779)
Disposals	(88,954)	(257,986)	(40,342)	(176)	(387,458)
Derecognition of a subsidiary (note 41(a))	(72,307)	(54,446)	(4,650)	–	(131,403)
At 31 December 2025	15,941,125	17,158,770	544,704	655,558	34,300,157
Accumulated depreciation and impairment:					
At 1 January 2024	(4,565,600)	(12,348,197)	(239,738)	(30,531)	(17,184,066)
Charge for the year	(377,341)	(709,400)	(41,152)	–	(1,127,893)
Impairment losses for the year, net of reversals	(6,229)	(799)	1,576	(84)	(5,536)
Written back on disposals	9,066	89,018	31,423	–	129,507
Disposal of a subsidiary (note 34)	24,434	21,924	1,217	–	47,575
At 31 December 2024	(4,915,670)	(12,947,454)	(246,674)	(30,615)	(18,140,413)
Charge for the year	(335,578)	(637,759)	(85,006)	–	(1,058,343)
Impairment losses for the year	(148,413)	(39,629)	(3,545)	(16,230)	(207,817)
Transfer to investment properties (note 16)	35,404	–	–	–	35,404
Written back on disposals	47,981	248,330	33,274	176	329,761
Derecognition of a subsidiary (note 41(a))	24,209	50,206	2,741	–	77,156
At 31 December 2025	(5,292,067)	(13,326,306)	(299,210)	(46,669)	(18,964,252)
Net book value:					
At 31 December 2025	10,649,058	3,832,464	245,494	608,889	15,335,905
At 31 December 2024	10,813,666	4,167,878	318,781	1,072,867	16,373,192

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

- (a) All plants and buildings and land are located in the PRC.
- (b) Construction in progress ("CIP") mainly relates to technical improvement projects of cement and clinker production lines.
- (c) As at 31 December 2025, the ownership certificates for certain plants and buildings with aggregate carrying amount of RMB1,523,357,000 (2024: RMB1,226,242,000) have not been obtained. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the properties and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2025 and 2024.
- (d) As at the date of approval of the consolidated financial statements, the Group is in the process of obtaining construction permits for certain clinker and cement production lines. The carrying amounts of the plants and buildings and equipment transferred from construction in progress in respect of these clinker and cement production lines as at 31 December 2025 were RMB692,811,000 and RMB182,482,000 respectively (2024: RMB708,133,000 and RMB221,920,000 respectively). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly construct the certain clinker and cement production lines and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2025 and 2024.
- (e) Certain plants and buildings with an aggregate carrying amount of RMB264,884,000 as at 31 December 2025 (2024: RMB389,399,000) are pledged to secure bank loans granted to the Group (see note 25).
- (f) As at 31 December 2025, land lease prepayments carried at RMB11,647,000 (2024: RMB36,099,000) and plants and buildings carried at RMB53,939,000 (2024: RMB56,851,000) have been frozen by the PRC Court pending the outcome of the legal proceedings initiated by the Group's creditors relating to certain purchases contracts. Under the Court order, the Group may continue to use these assets in its business but is prohibited from selling or transferring the assets until the litigation is resolved.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (Continued)

- (g) For certain subsidiaries located in Shandong Province and Shanxi Province which the management considered there was indication for impairment due to the deterioration of economic conditions for the cement industry in recent years, the management performed impairment assessments on property, plant and equipment, right-of-use assets, intangible assets and goodwill of these subsidiaries for the years ended 31 December 2025 and 2024. For certain subsidiaries located in Northeastern China, the management performed impairment assessments on property, plant and equipment, right-of-use assets, intangible assets and goodwill since there was indication for impairment due to underperformance in 2025 and indicator for reversal of impairment due to a substantial increase in cement prices in 2024.

The management assessed the recoverable amounts of these assets by assessing the recoverable amounts of the cash-generating units ("CGUs"), represented by the respective subsidiaries, to which they belong with reference to the value-in-use calculations of the CGUs. The value-in-use calculations use cash flow projections based on the financial budgets approved by the management for the next five financial years, which have been prepared using suitable growth rates for the second to fifth years in the projection period. The cash flows beyond the five-year projection period are extrapolated using suitable terminal growth rates.

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

Segment	Number of subsidiaries		Range of growth rate (%) *		Range of discount rates (%)		Terminal growth rate (%)	
	2025	2024	2025	2024	2025	2024	2025	2024
Shandong Province- Shandong Shanshui Heavy Industries Co., Ltd. ("Shanshui Heavy Industries")	1	1	19	15	10.00	14.07	-	2
Others	8	12	0-12	3-17	9.89-12.22	11.00-14.55	-	-
Northeastern China Chifeng Shanshui Yuanhang Cement Co., Ltd. ("Chifeng Yuanhang")	1	1	14	5	12.68	13.75	-	-
Others	14	13	0-8	3-13	11.00-13.90	12.00-15.07	-	-
Shanxi Province	9	7	7-15	5-17	11.00-12.45	13.18-14.75	-	-

* The growth rate for the second to fifth year in the projection period is based on the industry growth rate forecast.

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

For the years ended 31 December 2025 and 2024, based on the cash flow projections and financial budgets approved by the management in respect of the impairment assessments, the value in use calculated by the discounted cash flow analysis was lower than the carrying amount for certain of the CGUs in Shandong Province assessed for impairment. In view of the underperformance of these CGUs which arose due to a shrinking business scale, shortfall in value in use of these CGUs resulted, and, accordingly, impairment losses of these CGUs were allocated to property, plant and equipment and intangible assets of RMB46,284,000 and RMB990,000 (2024: RMB62,823,000 and RMB nil), respectively, in these CGUs and recognised for the year ended 31 December 2025. In 2024, driven by a substantial increase in cement prices in Northeastern China, the value in use calculated by the discounted cash flow analysis for certain CGUs in Northeastern China operating segment were higher than the carrying amount for the CGUs as at 31 December 2024. In view of that, reversal of impairment losses on these CGUs of RMB58,142,000 was allocated to property, plant and equipment and recognised for the year ended 31 December 2024 (2025: RMB nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (Continued)

(g) (Continued)

	Valuation methodology	Recoverable amount RMB'000	Amount of impairment recognised in 2025 RMB'000
CGUs (including goodwill)			
CGU in Shandong Province	VIU	94,649	47,274

The details of impairment loss/(reversal of impairment) allocated in respect of class of assets for the years ended 31 December 2025 and 2024 are shown as follows:

	Property, plants and equipment		Right-of-use assets (note 15)		Intangible assets (note 17)		Goodwill (note 18)		Total	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Shandong Province -Shanshui Heavy Industries	-	-	-	-	-	-	-	40,908	-	40,908
Shandong Province – others	46,284	62,823	-	-	990	-	-	-	47,274	62,823
Northeastern China	-	(58,142)	-	-	-	-	-	-	-	(58,142)
	46,284	4,681	-	-	990	-	-	40,908	47,274	45,589

In addition, during the year ended 31 December 2025, following a series of the government's policies on environmental protection and capacity replacement, some production lines in several subsidiaries of the Group located in Shandong Province were suspended during the year or are expected to be suspended in the near future. Accordingly, impairment loss of RMB161,533,000 (2024: RMB nil) was recognised for the year ended 31 December 2025 in respect of those assets to fully write down their carrying amounts to nil.

During the year ended 31 December 2024, the Group also conducted a review of the Group's production assets and identified certain assets owned by certain subsidiaries located in the Shanxi Province were idle and/or obsolete and that it was expected that these assets would not generate future benefit to the Group. Accordingly, impairment loss of RMB855,000 had been recognised for the year ended 31 December 2024 in respect of those assets to fully write down their carrying amounts to nil.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

15. RIGHT-OF-USE ASSETS

	Plants and buildings <i>RMB'000</i>	Land lease prepayment <i>RMB'000</i>	Machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
Carrying amount:					
At 1 January 2024	13,018	2,241,761	–	–	2,254,779
Additions	834	58,774	11,195	–	70,803
Depreciation charge	(3,766)	(82,487)	(1,485)	–	(87,738)
Disposal of a subsidiary (note 34)	–	(9,789)	–	–	(9,789)
At 31 December 2024	10,086	2,208,259	9,710	–	2,228,055
Additions	3,956	263,698	18,089	672	286,415
Depreciation charge	(4,158)	(108,639)	(6,103)	(224)	(119,124)
Transfer to investment properties (note 16)	–	(18,445)	–	–	(18,445)
Early termination	(5,013)	(1,063)	–	–	(6,076)
Derecognition of a subsidiary (note 41(a))	–	(25,519)	–	–	(25,519)
At 31 December 2025	4,871	2,318,291	21,696	448	2,345,306

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Expense relating to short-term leases	19,873	20,061
Total cash outflow for leases	34,238	33,893

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

15. RIGHT-OF-USE ASSETS (CONTINUED)

Notes:

- (a) For both years, the Group leases various plants and buildings, land lease prepayment and machinery for its operations. Lease contracts for plants and buildings and machinery are entered into for fixed terms of 2 to 30 years and 3 to 4 years, respectively. Lease contracts for land lease prepayment are entered into for fixed term of 25 to 70 years. Lease terms for all lease contracts are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.
- (b) The lease prepayments for leasehold land which are presented as right-of-use assets with underlying assets of land are amortised for periods ranging from between 25 years and 70 years based on the lease term (2024: 25 years and 70 years).
- (c) As at 31 December 2025, application for the registration of land use rights in relation to land lease prepayments for right-of-use assets with underlying assets of land with cost of approximately RMB127,709,000 and carrying amount of RMB110,260,000 (2024: cost of approximately RMB116,268,000 and carrying amount of RMB96,855,000) was still in progress. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the properties and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2025 and 2024.
- (d) Certain land lease prepayments with an aggregate carrying amount of RMB128,397,000 (2024: RMB131,195,000) are pledged to secure bank loans granted to the Group (see note 25).
- (e) For the years ended 31 December 2025 and 2024, the management assessed the recoverable amount of certain CGUs in Shandong Province, Shanxi Province and Northeastern China together with the property, plant and equipment, and intangible assets (including allocation of corporate assets) that generate cash flows for the purpose of impairment assessment. Based on the cash flow projections and financial budgets approved by the management in 2025 and 2024, the value in use calculated by the discounted cash flow analysis is higher than the carrying amounts for the CGU located in respective regions and accordingly no impairment loss was recognised for the years ended 31 December 2025 and 2024. The particulars of the value-in-use calculation in relation to the abovementioned CGU located in respective regions are disclosed in note 14(g).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

16. INVESTMENT PROPERTIES

	<i>RMB'000</i>
Cost	
At 1 January 2025	–
Additions	500
Transfer from property, plant and equipment (note 14)	54,779
Transfer from right-of-use assets (note 15)	31,810
At 31 December 2025	87,089
Accumulated depreciation and impairment	
At 1 January 2025	–
Charge for the year	(630)
Transfer from property, plant and equipment (note 14)	(35,404)
Transfer from right-of-use assets (note 15)	(13,365)
At 31 December 2025	(49,399)
Net book value:	
At 31 December 2025	37,690

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

16. INVESTMENT PROPERTIES (CONTINUED)

During the year, the management leased out certain previously self-used properties and right-of-use assets of the Group situated in the PRC to independent third parties under operating lease, in order to enhance utilisation of the properties and to earn rentals. Accordingly, these portions of the properties, with a carrying amount of RMB37,820,000 at the date of change in use, were transferred from property, plant and equipment and right-of-use assets to investment properties.

The cost of investment properties is depreciated over their estimated useful lives at a range from 35 to 40 years.

The fair value of the Group's investment properties as at 31 December 2025 was approximately RMB145,448,000 (2024: nil). The fair value has been arrived at based on valuations carried out by independent qualified professional valuers not connected with the Group.

The fair values of certain investment properties of the Group with fair values amounting to RMB8,988,000 in aggregate were determined based on the income capitalisation approach by considering the market rentals of all lettable units of the properties, which are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted, at 3.5%, is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties. The higher the capitalisation rate, the lower the fair value.

The fair value of the remaining investment properties of the Group with fair values amounting to RMB136,460,000 in aggregate was determined based on direct comparison approach. The fair value of these investment properties were estimated with reference to sales evidence of similar properties in the nearest locality, with adjustments made to account for differences in locations and other factors specific to the respective properties based on the valuer's judgement.

The fair value of the Group's investment properties are within the level 3 fair value hierarchy.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The rental income earned by the Group during the year from its investment properties amounted to approximately RMB2,392,000 (2024: nil). Direct operating expenses arising on the investment properties amounted to RMB630,000 (2024: nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

17. INTANGIBLE ASSETS

	Limestone mining rights RMB'000	Customer relationships RMB'000	Trademarks RMB'000	Software and others RMB'000	Total RMB'000
Cost:					
At 1 January 2024	2,682,732	48,181	92,522	380,029	3,203,464
Additions	553,896	–	–	30,226	584,122
Disposals	(1,768)	–	–	(148)	(1,916)
Disposal of a subsidiary (note 34)	–	–	–	(680)	(680)
At 31 December 2024	3,234,860	48,181	92,522	409,427	3,784,990
Additions	78,421	–	–	142	78,563
Disposals	(125,522)	–	–	–	(125,522)
Derecognition of a subsidiary (note 41(a))	–	–	–	(88)	(88)
At 31 December 2025	3,187,759	48,181	92,522	409,481	3,737,943
Accumulated amortisation and impairment:					
At 1 January 2024	(1,308,150)	(48,181)	(70,292)	(158,996)	(1,585,619)
Amortisation for the year	(187,262)	–	–	(21,716)	(208,978)
Disposals	1,768	–	–	148	1,916
Disposal of a subsidiary (note 34)	–	–	–	612	612
At 31 December 2024	(1,493,644)	(48,181)	(70,292)	(179,952)	(1,792,069)
Amortisation for the year	(192,483)	–	–	(18,508)	(210,991)
Disposals	67,251	–	–	–	67,251
Impairment losses for the year	–	–	–	(990)	(990)
Derecognition of a subsidiary (note 41(a))	–	–	–	88	88
At 31 December 2025	(1,618,876)	(48,181)	(70,292)	(199,362)	(1,936,711)
Net book value:					
At 31 December 2025	1,568,883	–	22,230	210,119	1,801,232
At 31 December 2024	1,741,216	–	22,230	229,475	1,992,921

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

17. INTANGIBLE ASSETS (CONTINUED)

Notes:

- (a) The limestone mines owned by subsidiaries of the Company are located in Shandong, Liaoning, Shanxi, Xinjiang and Inner Mongolia regions/provinces. The limestone mining rights which are granted from the respective land resources bureaus are valid for periods ranging from 2 year to 26 years (2024: ranging from 2 year to 26 years) and will expire in 2026 to 2046. Certain limestone mining rights for limestone mines located in the Shandong Province and Northeastern China that expired in the current year were renewed and will expire in 2030 to 2035.
- (b) As at 31 December 2025, the ownership certificates for certain limestone mining rights with a carrying amount of RMB45,722,000 (net of accumulated amortisation and impairment of RMB40,200,000) (2024: RMB325,107,000 (net of accumulated amortisation of RMB20,427,000)) have not been obtained. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the properties and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2025 and 2024.
- (c) Included in the carrying amount of trademarks represent the “遠航” brand acquired through acquisition of “Chifeng Yuanhang” in previous years. The “遠航” brand will be expired in February 2033, but is renewable every 10 years at minimal cost. The directors of the Company are of the opinion that the “遠航” brand is having good reputation in the local area and hence the Group would renew the trademark continuously and has the ability to do so. As a result, the “遠航” brand is considered by the management as having an indefinite useful life and will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. The carrying amount of “遠航” brand as at 31 December 2025 is RMB22,230,000 (2024: RMB22,230,000).

For the years ended 31 December 2025 and 2024, the management assessed the recoverable amount of Chifeng Yuanhang which the trademark forms part of the CGU with reference to its value-in-use calculation. In addition to the trademark, property, plant and equipment, other intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related trademark are also included in the CGU for the purpose of impairment assessment. Based on the cash flow projections and financial budgets approved by the management in 2025 and 2024, the value-in-use calculated by the discounted cash flow analysis is higher than the carrying amounts for Chifeng Yuanhang and accordingly the management determined that there was no impairment on the trademark for the year ended 31 December 2025 (2024: nil). Chifeng Yuanhang is one of the CGUs in the Northeastern China segment and particulars of the value-in-use calculation in relation to Chifeng Yuanhang disclosed in note 14(g).

For the year ended 31 December 2025, the management also assessed the recoverable amount of certain CGU in the Shandong Province together with the property, plant and equipment, and right-of-use assets (including allocation of corporate assets) that generate cash flows for the purpose of impairment assessment. Based on the cash flow projections and financial budgets approved by the management in 2025, the value-in-use calculated by the discounted cash flow analysis is lower than the carrying amounts for the CGU located at Shandong Province and accordingly the management determined that impairment loss of RMB990,000 was recognised for the year ended 31 December 2025. The particulars of the value-in-use calculation in relation to the abovementioned CGU located at Shandong Province are disclosed in note 14(g).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

18. GOODWILL

	<i>RMB'000</i>
Cost:	
At 1 January 2024	2,427,806
Disposal of a subsidiary (note 34)	(15,058)
At 31 December 2024 and 1 January 2025	2,412,748
Derecognition of a subsidiary	(1,415)
At 31 December 2025	2,411,333
Impairment losses:	
At 1 January 2024	2,372,674
Impairment loss for the year	40,908
Written off on disposal of a subsidiary (note 34)	(15,058)
At 31 December 2024 and 1 January 2025	2,398,524
Written off on derecognition of a subsidiary	(1,415)
At 31 December 2025	2,397,109
Net book value:	
At 31 December 2025	14,224
At 31 December 2024	14,224

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

18. GOODWILL (CONTINUED)

Impairment tests for cash-generating units containing goodwill

As set out in IAS 36, cash generating units are the smallest identifiable groups of assets that generate cash inflows from continuing use that are largely independent of the cash flows from other assets. For the purpose of impairment testing of goodwill, goodwill is allocated to CGUs or groups of CGUs (being subsidiaries acquired in each acquisition), which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The carrying amount of goodwill is allocated to 2 individual CGUs, comprising 2 subsidiaries namely Wulanhaote Shanshui Cement Co., Ltd. (“Wulanhaote”) (amounting to RMB12,639,000 (2024: RMB12,639,000)) and Dezhou Zhucheng Concrete Co., Ltd. (“Dezhou Zhucheng”) (amounting to RMB1,585,000 (2024: RMB1,585,000)). The goodwill recognised is not expected to be deductible for income tax purpose. In addition to goodwill, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment.

For the purpose of impairment assessment for the years ended 31 December 2025 and 2024, the recoverable amounts of the individual CGUs as at the end of the reporting period were estimated with reference to value-in-use calculations determined by the management for Wulanhaote and Dezhou Zhucheng. The value-in-use calculations used cash flow projections based on the financial budgets for the next five financial years of the respective CGUs approved by the management. Particulars of the value-in-use calculations are disclosed as per note 14(g).

As at 31 December 2025 and 2024, the recoverable amounts of the CGUs of Wulanhaote and Dezhou Zhucheng were estimated to be higher than the carrying amounts of the respective CGUs and accordingly, the management determined that there is no impairment loss in these CGUs for the years ended 31 December 2025 and 2024.

During the year ended 31 December 2025, no impairment loss was made for the CGU of Shanshui Heavy Industries as its value-in-use calculation determined by the management for Shanshui Heavy Industries as at 31 December 2025 was higher than its carrying amount as at 31 December 2025.

During the year ended 31 December 2024, there was impairment loss for the CGU of Shanshui Heavy Industries as its value-in-use calculation determined by the management with the assistance of GW Financial Advisory Service Limited, an independent firm of qualified professional valuer not connected with the Group, for Shanshui Heavy Industries as at 31 December 2024 was below its carrying amount as at 31 December 2024 prior to the recognition of impairment loss for that year. The directors of the Company had consequently determined that during the year ended 31 December 2024, impairment loss directly related to the CGU of Shanshui Heavy Industries amounting to RMB40,908,000 was recognised and included in consolidated profit or loss in the “Other net expenses, gains and losses”. All the impairment losses of the CGU for 2024 were allocated to goodwill belonging to the CGU. The impairment loss for 2024 arose due to the under performance of the CGU which resulted from the anticipated decline in future demand for cement production related machinery. Shanshui Heavy Industries is principally engaged in provision of various service regarding cement production related machinery.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

19. OTHER FINANCIAL ASSETS

	<i>Notes</i>	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Financial assets at FVTPL			
– Equity securities listed in the PRC	(a)	9,302	9,969
– Equity investments in PRC non-listed companies	(b)	9,893	10,082
Loan due from a third party	(c)	–	–
		19,195	20,051

Notes:

- (a) Equity investments in securities listed in the PRC represent the Group's investments in equity shares listed on the Shanghai Stock Exchange and held by the Group as long-term investment. The investments are valued with reference to the trading price of the securities at the end of the reporting period.
- (b) Equity investments in PRC non-listed companies are held by the Group as long-term investment. Included in the unquoted equity investments held by the Group as at 31 December 2025 mainly represented the 0.38% equity interest in Bank of Chaoyang with carrying amount of RMB7,034,000 (2024: RMB7,223,000). The fair value loss on the unquoted equity investments of RMB189,000 was recognised in profit or loss during the year ended 31 December 2025 (2024: fair value gain of RMB926,000).
- (c) Loan due from a third party represents loan due from a minority shareholder of a subsidiary of the Company which held 30% equity interest in Bohai Cement (Huludao) Co., Ltd. ("Bohai Cement"). During the year ended 31 December 2021, the amount has been overdue and the management considered the probability of default had significantly increased. Accordingly, the amount was fully impaired and impairment loss of RMB21,710,000 was recognised for the year ended 31 December 2021.

During the year ended 31 December 2025, the amount remained unsettled. Accordingly, the allowance for expected credit loss recognised in the previous year was not reversed.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

20. INTERESTS IN ASSOCIATES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Cost	829,400	829,400
Less: share of post-acquisition loss and other comprehensive income, net of dividends received	(105,827)	(59,045)
Less: impairment losses	(328,379)	(328,379)
Share of net assets	395,194	441,976

Details of the Group's major associates as at 31 December 2025 and 2024 are as follows:

Name of associate	Place and date of incorporation and principal place of business	Principal activities	Registered capital	Paid-in capital	Proportion of ownership interest/voting rights held by the Group		Note
					2025	2024	
Dong'e Shanshui Dongchang Cement Co., Ltd. ("Dong'e Shanshui") (note (a))	Shandong, PRC 1 March 2010	Production and sales of cement, clinker and related products	RMB100,000,000	RMB100,000,000	51%	51%	2
Dalian Cement Group Co., Ltd. ("Dashui Group")	Liaoning, PRC 11 June 1992	Production and sales of cement and related products	RMB888,980,000	RMB888,980,000	22.04%	22.04%	2
Qilu Property Co., Ltd. ("Qilu Property") (note (b))	Shandong, PRC 16 May 1994	Development of property	RMB83,529,200	RMB83,529,200	30%	30%	2
Xingan Mengjixing Cement Management Co., Ltd. ("Mengjixing Cement") (note (c))	Inner Mongolia, PRC 4 January 2017	Sales and production of cement and provide business information consulting services	RMB2,653,100	RMB1,300,000	26.38%	26.38%	1
Shandong Yihe Junling Ecological Technology Industrial Park Co., Ltd. ("Yihe Junling") (note (d))	Shandong, PRC 26 April 2022	Construction and management of industrial production plant	RMB400,000,000	RMB400,000,000	50%	50%	2

Notes:

- (1) These associates act as a cement and related product selling platform for their shareholders in expanding sales to certain locations, which was led by local government.
- (2) The investment in these associates enable the Group to enter into a competitive region.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

20. INTERESTS IN ASSOCIATES (CONTINUED)

Notes:

(a) According to the articles of association of Dong'e Shanshui, the resolutions in relation to material financial and operating decisions have to be passed by more than half of directors. As the Group only has right to appoint two out of five directors of Dong'e Shanshui, the directors of the Company are of the opinion that the Group has significant influence in Dong'e Shanshui but does not have control over Dong'e Shanshui although the Company owns more than half of equity interests in Dong'e Shanshui.

(b) The carrying amount of the interest in Qilu Property was fully impaired in previous years based on the impairment assessment performed by the management.

As at 31 December 2025 and 2024, the recoverable amounts of the interest in the associate was nil based on the assessment by the management and accordingly, the impairment provided in previous years was not reversed.

(c) During the year ended 31 December 2017, certain non-wholly owned subsidiaries of the Company contributed cash of RMB700,000 in total for the establishment of Mengjixing Cement for 26.38% equity interest with three independent third parties. The Group in aggregate has 24.39% effective equity interest in Mengjixing Cement, and there is no change in the effective equity interest as at 31 December 2025 and 2024.

(d) During the year ended 31 December 2022, certain non-wholly owned subsidiaries of the Company contributed cash of RMB200,000,000 in total for the establishment of Yihe Junling for 50.00% equity interest with an independent third party. During the year ended 31 December 2024, all shareholders of Yihe Junling resolved to decrease registered capital to RMB400,000,000 through a shareholders' meeting held on 4 May 2024. The Company in aggregate has 49.50% effective equity interest in Yihe Junling as at 31 December 2025 and 2024.

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

(e) In December 2024, all shareholders of Liaoning Yunding Cement Group Co., Ltd. ("**Yunding Cement**") resolved to de-register Yunding Cement through a shareholders' meeting held on 25 December 2024. This is a unanimous decision in view of the actual performance of the associate did not meet expectations. The proceed of RMB8,977,000 from this deregistration was received on 25 December 2024, loss on disposal of associate of RMB114,000 was recognised in profit and loss during the year ended 31 December 2024.

(f) In July 2024, all shareholders of Yulin Zhongxin Cement Enterprise Management Co., Ltd. ("**Zhongxin Cement**") resolved to de-register Zhongxin Cement through a shareholders' meeting held on 8 July 2024. This is a unanimous decision in view of the actual performance of the associate did not meet expectations. Loss on disposal of associate of RMB2,667,000 was recognised in profit and loss during the year ended 31 December 2024.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

20. INTERESTS IN ASSOCIATES (CONTINUED)

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

Summarised financial information in respect of each of the Group's material associate is set out below. The summarised financial information below represents amounts in respective associates' financial statements prepared in accordance with IFRS Accounting Standards.

Dong'e Shanshui

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Current assets	37,319	105,085
Non-current assets	107,685	113,923
Current liabilities	(1,918)	(5,023)
Non-current liabilities	(740)	(740)

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Revenue	3,130	97,122
Loss and total comprehensive expense for the year	(10,899)	(58,644)

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Net assets of Dong'e Shanshui	142,346	213,245
Proportion of the Group's ownership interest in Dong'e Shanshui	51%	51%
Carrying amount of the Group's interest in Dong'e Shanshui	72,596	108,755
Dividend received from Dong'e Shanshui	30,600	–

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

20. INTERESTS IN ASSOCIATES (CONTINUED)

Yihe Junling

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Current assets	15,265	27,575
Non-current assets	482,420	510,096
Current liabilities	(87,063)	(103,661)
Non-current liabilities	(259)	–

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Revenue	101,223	184,640
(Loss)/profit and total comprehensive expense/income for the year	(23,764)	369

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Net assets of Yihe Junling	410,363	434,010
Proportion of the Group's ownership interest in Yihe Junling	50%	50%
Carrying amount of the Group's interest in Yihe Junling	205,182	217,005

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

20. INTERESTS IN ASSOCIATES (CONTINUED)

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

	2025 RMB'000	2024 <i>RMB'000</i>
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	117,416	116,216
Aggregate amounts of the Group's share of those associates' profit/(losses) and total comprehensive income/(expense) for the year	1,258	(787)

21. INVENTORIES

	2025 RMB'000	2024 <i>RMB'000</i>
Raw materials	537,570	607,204
Semi-finished goods	530,777	387,222
Finished goods	458,996	507,804
Spare parts	269,527	404,383
	1,796,870	1,906,613

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

22. TRADE AND BILLS RECEIVABLES

	<i>Note</i>	2025 RMB'000	2024 <i>RMB'000</i>
Bills receivables		279,054	401,765
Trade receivables		1,059,257	1,392,913
Less: allowance for credit losses	35(b)(i)	(250,769)	(236,859)
		1,087,542	1,557,819

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:

	2025 RMB'000	2024 <i>RMB'000</i>
Within 3 months	251,840	529,985
3 to 6 months	91,862	219,833
6 to 12 months	136,722	165,381
Over 12 months	607,118	642,620
	1,087,542	1,557,819

All of the trade and bills receivables (net of allowance for credit losses) are expected to be recovered within one year from the end of the reporting period. The detailed credit policy and details of impairment assessment of trade and bills receivables are set out in note 35(b)(i).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

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

(a) Prepayments and other receivables (current assets)

	Notes	2025 RMB'000	2024 RMB'000
Deposits	(i)	38,570	50,635
Prepayments for raw materials		110,086	226,538
Prepayments for utilities		50,018	83,730
VAT recoverable		297,123	321,600
Amounts due from related parties	39(b)	21,023	23,583
Amounts due from third parties	(ii)	314,055	376,532
Others		49,402	47,350
		880,277	1,129,968

As at 31 December 2025, the gross carrying amount of other receivables of the Group exposed to credit risks has been net off with loss allowance amounted to RMB623,195,000 (2024: RMB606,701,000). Details of impairment assessment of the other receivables exposed to credit risk are set out in note 35(b)(i).

Notes:

- (i) Included in deposits as at 31 December 2025 mainly are deposits paid for bidding and fulfilling the agreements of RMB32,203,000 (2024: RMB35,633,000). The deposits are expected to be utilised within 12 months after the end of the Reporting Period and are therefore classified as current assets.
- (ii) Included in amounts due from third parties as at 31 December 2025 are advances and deposits paid to local government of RMB nil (2024: RMB40,000,000) and amounts due from the former shareholders of certain subsidiaries of the Group of RMB32,129,000 (2024: RMB21,878,000). The receivables are unsecured, interest free and repayable on demand. Details of impairment assessment of the other receivables exposed to credit risk are set out in note 35(b)(i).

(b) Other long-term assets

Other long-term assets mainly represented prepayment for purchase of property, plant and equipment, right-of-use assets with underlying assets of land lease prepayment and intangible assets of RMB240,172,000, RMB60,570,000 and RMBnil, respectively (2024: RMB110,243,000, RMB60,580,000 and RMB1,281,000, respectively) and deposit for environmental restoration of RMB573,664,000 (2024: RMB552,121,000).

These balances are not expected to be recovered within one year from the end of reporting period, and accordingly, are classified as non-current.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

24. RESTRICTED BANK DEPOSITS, FIXED BANK DEPOSITS AND BANK BALANCES AND CASH

Restricted bank deposits as at 31 December 2025 include RMB890,228,000 (2024: RMB687,169,000) 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 RMB2,860,000 (2024: RMB5,503,000) 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 purchases contracts. Further details of this litigation are set out in note 37(a). During the year ended 31 December 2025, frozen bank deposits amounting to RMB2,643,000 have been released as the litigation has been resolved.

The restricted bank deposits carry fixed interest rates ranged from 0.01% to 3.25% (2024: 0.01% to 2.6%) per annum. The frozen bank balances carry variable interest rates of 0.05% (2024: ranged from 0.5% to 1.5%) per annum as at 31 December 2025.

The fixed bank deposits carry fixed interest rates ranged from 1% to 3.5% (2024: 1.5% to 3.5%) per annum and have original maturity of over three months.

Bank deposits of RMB820,500,000 (2024: RMB553,000,000) are pledged to secure bank loans granted to the Group (note 25).

For the year ended 31 December 2025, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided. Details of impairment assessment of restricted bank deposits for the year ended 31 December 2025 are set out in note 35(b)(i).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

25. BANK LOANS

	Notes	2025 RMB'000	2024 RMB'000
Bank loans		4,798,560	4,559,460
Bank loans under supplier finance arrangements	(i)	512,500	806,000
		5,311,060	5,365,460
Bank loans – Secured	(ii)	1,074,210	1,035,710
Bank loans – Unsecured		4,236,850	4,329,750
		5,311,060	5,365,460

Notes:

- (i) The Group has entered into certain supplier finance arrangements with banks, under which the Group obtained extended credit in respect of the invoice amounts owed to certain suppliers of raw materials. Under these arrangements, the banks advanced funds to the Group for the settlement to suppliers on the original due dates of the invoices. The Group then settles with the banks between 180-360 days after loans granted by the banks with interest rates ranging from 2.36%-3.79% (2024: 2.01%-4.00%) per annum. These arrangements provide the Group with extended payment terms, compared to the original due dates of the respective invoices. The interest rates are consistent with the Group's short-term borrowing rates. Information of the Group's supplier finance arrangements is set out in note 38(b).
- (ii) These bank loans were secured by certain land lease prepayments with an aggregate carrying amount of RMB128,397,000 (2024: RMB131,195,000) (note 15), plants and buildings with an aggregate carrying amount of RMB264,884,000 (2024: RMB389,399,000) (note 14(e)) and bank deposits of RMB820,500,000 (2024: RMB553,000,000) (note 24).

As at 31 December 2025 and 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:

	2025 RMB'000	2024 RMB'000
Within one year	4,505,890	3,797,750
After one year but within two years	649,170	1,032,440
After two years but within five years	156,000	535,270
	5,311,060	5,365,460

All bank loans are interest-bearing and detail of interest rates are disclosed as per note 35(b)(iii).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

26. TRADE PAYABLES

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Within 3 months	1,628,355	1,342,437
3 to 6 months	379,156	597,414
6 to 12 months	194,438	292,355
Over 12 months	528,012	734,228
	2,729,961	2,966,434

Trade payables principally comprise amounts outstanding for trade purchase. The average credit period for trade purchases is 30 to 180 days.

As at 31 December 2025, certain suppliers and third parties have initiated lawsuits against the Group to demand immediate settlement of trade payables with carrying amount of RMB592,000 (2024: RMB37,046,000) plus interest for late payment, if any (see note 37(a) for details of the lawsuits).

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

27. OTHER PAYABLES AND ACCRUED EXPENSES, CONTRACT LIABILITIES AND LONG-TERM PAYABLES

(a) Other payables and accrued expenses

	<i>Notes</i>	31 December 2025 RMB'000	31 December 2024 RMB'000
Accrued payroll and welfare		175,832	237,388
Taxes payable other than income tax payable		98,267	113,125
Staff compensation and termination provisions	28(b)	50,228	51,286
Amounts due to related parties	39(b)	909,774	927,829
Payable to former shareholders of acquired subsidiaries		19,292	57,271
Acquisition consideration payable		26,937	26,937
Payables for acquisition of property, plant and equipment		26,979	44,085
Payables for mining rights	27(c)	42,432	62,310
Dividend payable to non-controlling interest		50,690	–
Accrued expenses and other payables	(i)	399,240	553,044
		1,799,671	2,073,275

Note:

- (i) The amount mainly represents payable for mine management of RMB nil (2024: RMB123,946,000), contract guarantee deposits from suppliers of RMB126,438,000 (2024: RMB139,123,000), payables for equipment maintenance of RMB92,866,000 (2024: RMB121,205,000) and interest payables of RMB5,224,000 (2024: RMB4,727,000).

As at 31 December 2025, certain suppliers and third parties have lawsuits against the Group to demand immediate settlement of other payables with carrying amount of RMB2,934,000 (2024: RMB7,783,000) plus interest for late payment, if any.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

27. OTHER PAYABLES AND ACCRUED EXPENSES, CONTRACT LIABILITIES AND LONG-TERM PAYABLES (CONTINUED)

(b) Contract liabilities

	31 December 2025 <i>RMB'000</i>	31 December 2024 <i>RMB'000</i>
Sales of cement	283,066	261,346
Sales of clinker	12,143	13,671
Sales of concrete	7,746	6,951
Sales of other products	14,945	25,213
	317,900	307,181

The Group typically received full payment from certain customers for sales of cement, clinker, concrete and other products before the customers obtain the control of the cement products which give rise to contract liabilities at the start of a contract, until the revenue recognised upon the pass of controls. All contract liabilities are expected to be recognised as income within one year.

As at 1 January 2024, contract liabilities amounted to RMB422,288,000. The contract liabilities as at 1 January 2025 and 2024 were fully recognised as revenue during the year ended 31 December 2025 and 2024, respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

27. OTHER PAYABLES AND ACCRUED EXPENSES, CONTRACT LIABILITIES AND LONG-TERM PAYABLES (CONTINUED)

(c) Long-term payables

	<i>Notes</i>	31 December 2025 RMB'000	31 December 2024 RMB'000
Long-term payable for reclamation cost for environmental restoration and constructions	(i)	365,575	354,644
Payables for mining rights	(ii)	220,431	280,284
		586,006	634,928
Less: Current portion (<i>note 27(a)</i>)		(42,432)	(62,310)
		543,574	572,618

Notes:

- (i) Long-term payables mainly represented payables for reclamation cost for environmental restoration and constructions in amount of RMB365,575,000 (2024: RMB354,644,000). According to the regulation issued by the Ministry of Land and Resources (國土資源部), the user of quarry should undertake the obligation of environmental restoration. The Group is required to incur costs for environment restoration after the quarry has been excavated. After taking into account the quantity of limestone excavated and the timing of environment restoration during the use of quarry, a provision has been recognised for the costs expected to be incurred for the environmental restoration. Additional provision is recognised as cost of sales of the related limestone excavated and amounted to RMB49,147,000 (2024: RMB39,510,000) for the year ended 31 December 2025. An unwinding discount of RMB18,520,000 (2024: RMB19,350,000) was incurred in relation to the long-term payables for reclamation cost for environmental restoration and constructions, which was charged to consolidated statement of profit or loss as a finance cost, and the amount of reclamation cost of RMB56,736,000 (2024: RMB8,015,000) was incurred and charged against the provision during the year ended 31 December 2025.
- (ii) According to the announcement on Collection and Management of the Revenue from the Transfer of Mining Rights in PRC, “礦業權出讓收益征收辦法” (the “Announcement”), an entity is required to pay to the local government a transfer fee when acquiring the exploration right or mining right. The balance represented the amounts payable to the government in respect of such Announcement with repayments payable from 2026 to 2040 using a discount rate of 3.90% per annum.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

28. EMPLOYEE BENEFITS

(a) Defined contribution retirement plans

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial government authorities for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 29% to 39% of the salaries, wages and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. Where there are employees who leave the plans prior to vesting fully in the contributions, in accordance with the rules of the plans, the forfeited employers' contributions shall not be used to reduce the future contributions of the employers. At 31 December 2025, there was no forfeited contribution which is available to reduce the contributions payable in future years (2024: nil).

The Group has no other material obligation for the payment of pension benefits associated with these plans and other post-retirement beyond the annual contributions described above.

(b) Staff compensation and termination provision

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Staff compensation and termination provision	50,228	51,286

Included in the staff compensation and termination provision is a provision set aside following the transition from a state-owned enterprise to a privately-owned enterprise of certain subsidiaries of the Group, of RMB49,845,000 (2024: RMB50,700,000).

Pursuant to pertinent agreements with associated local governments established during the transition of certain subsidiaries of the Group from a state-owned enterprise to a privately owned entity, certain employees of certain subsidiaries of the Group are entitled to receive compensation and termination pay relating to their past employment prior to the change in status. Such amounts are required to be paid to the employees as soon as they cease to be employed by the Group. These amounts are included in other payables and accrued expenses in the consolidated statement of financial position (see note 27(a)) and remained unpaid in previous years as the Group has been negotiating with the relevant employees to finalise the compensation and termination pay. In May 2023, the Group reached a consensus with the employees on a revised compensation plan with effective from 31 August 2023, and an additional compensation amounting to RMB130,428,000 was provided.

Settlement to past employees amounting to RMB855,000 (2024: RMB58,541,000) was made by the Group during the year ended 31 December 2025.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

28. EMPLOYEE BENEFITS (CONTINUED)

(c) Defined benefit obligations

The liabilities recognised in the consolidated statement of financial position represent:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Present value of the defined benefit obligations	193,200	131,310

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 27(a)) 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 operates unfunded defined benefit plan for qualifying former employees. The Group paid supplemental pension subsidies or pension contributions to its employees in the PRC who retired prior to 31 December 2005. In addition, the Group is committed to make periodic benefits payments to certain former employees who were terminated or early retired in accordance with various rationalisation programmes adopted by the Group prior to 31 December 2005.

During the year ended 31 December 2025, the Group introduced a new unfunded defined benefit plan for certain eligible former employees in the PRC. Under this plan, the Group pays a basic monthly benefit calculated at 70% of the then effective minimum monthly wage standard promulgated by the municipal authorities. The Group will cease to pay the supplemental pension subsidies and other post-employment medical benefits to its retired employees and early retired employees in the PRC who leave the Group after 31 December 2026.

The plan is administrated by the Group and contributed by the Group in accordance with an independent actuary's recommendation based on annual actuarial valuations. Under the plan, the employees are entitled to retirement benefits varying between 45% and 85% of final salary on attainment of a retirement age of 50-60.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

28. EMPLOYEE BENEFITS (CONTINUED)

(c) Defined benefit obligations (Continued)

The defined benefit plan exposes the Group to actuarial risks, such as interest rate risk, longevity risk and salary risk.

Interest rate risk	A decrease in the bond interest rate will increase the plan liability
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

No other post-retirement benefits are provided to these employees.

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.

(i) Movements in the defined benefit obligations are set out as follows:

	2025	2024
	RMB'000	RMB'000
At 1 January	131,310	93,200
Remeasurements	(7,410)	24,720
Payments	(7,340)	(8,470)
Current service cost	74,380	19,130
Interest expense	2,260	2,730
At 31 December	193,200	131,310

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

28. EMPLOYEE BENEFITS (CONTINUED)

(c) Defined benefit obligations (Continued)

- (ii) Expenses recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Interest expense (recognised as finance cost)	2,260	2,730
Current service cost (recognised as administrative expenses)	74,380	19,130
Total amounts recognised in (loss)/profit for the year	76,640	21,860
Actuarial (loss)/gain recognised in other comprehensive income for the year	(7,410)	24,720
Total defined benefit costs	69,230	46,580

- (iii) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2025	2024
Discount rate	1.50%-2.00%	1.75%-2.00%
Annual growth rate of cost of living	3.00%-10.00%	3.00%-10.00%
Social average salary increase rate	10.00%	10.00%
Average expected remaining working life of eligible employees	5 years	5.4 years

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

28. EMPLOYEE BENEFITS (CONTINUED)

(c) Defined benefit obligations (Continued)

- (iii) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows: (Continued)

The below analysis shows how the defined benefit obligation as at 31 December 2025 and 2024 would have (increased)/decreased as a result of 0.5% change in the significant actuarial assumptions:

Discount rate	2025 RMB'000	2024 RMB'000
Effect on defined benefit obligation		
– Increase in 0.5%	(7,530)	(7,440)
– Decrease in 0.5%	8,240	8,230

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

29. DEFERRED INCOME

	2025 RMB'000	2024 RMB'000
At 1 January	352,602	316,007
Addition during the year	14,058	55,440
Recognised in consolidated statement of profit or loss	(19,647)	(18,845)
At 31 December	347,013	352,602

Deferred income mainly represents the PRC local government grants received from relevant PRC authorities for investments of property, plant and equipment, such as cement and clinker plants and residual heat generation plants. The subsidies are recognised in the consolidated statement of profit or loss over the estimated useful lives of the respective property, plant and equipment. There are no unfulfilled conditions and contingencies relating to the grants.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

30. LEASE LIABILITIES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Lease liabilities payable:		
Within one year	16,667	8,082
Within a period of more than one year but not more than two years	19,305	9,129
Within a period of more than two year but not more than five years	38,766	14,349
Within a period of more than five years	95,968	39,800
	170,706	71,360
Less: portion classified as current liabilities	(16,667)	(8,082)
Non-current liabilities	154,039	63,278

The weighted average incremental borrowing rates applied to lease liabilities range from 3.21% to 4.85% (2024: 3.21% to 4.85%).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

31. DEFERRED TAXATION

(a) Deferred tax assets and liabilities recognised

The followings are the major deferred tax assets/(liabilities) recognised and movement thereon during the current and prior years.

	Long-term payables <i>RMB'000</i>	Restoration assets <i>RMB'000</i>	Tax loss <i>RMB'000</i>	Deferred income <i>RMB'000</i>	Impairment of assets <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2024	113,449	(63,097)	47,451	49,786	154,567	(64,184)	237,972
Credited/(charged) to profit or loss	13,035	2,327	(7,915)	11,760	(4,609)	9,763	24,361
Disposal of a subsidiary (note 34)	-	-	-	-	-	3,783	3,783
At 31 December 2024 and 1 January 2025	126,484	(60,770)	39,536	61,546	149,958	(50,638)	266,116
Credited/(charged) to profit or loss	(41,994)	(4,007)	(20,535)	(8,356)	(19,103)	36,503	(57,492)
Effect of change in tax rate	489	(486)	-	-	217	2,045	2,265
Derecognition of a subsidiary (note 41(a))	-	-	-	-	-	480	480
At 31 December 2025	84,979	(65,263)	19,001	53,190	131,072	(11,610)	211,369

Reconciliation to the consolidated statement of financial position

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	235,586	355,449
Net deferred tax liabilities recognised in the consolidated statement of financial position	(24,217)	(89,333)
	211,369	266,116

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

31. DEFERRED TAXATION (CONTINUED)

(b) Tax losses and deductible temporary differences not recognised

As at 31 December 2025, the Group has unused tax losses of RMB2,948,023,000 (2024: RMB2,637,799,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB76,004,000 (2024: RMB158,146,000) of such losses. The Group did not recognise deferred tax assets in respect of tax losses of certain PRC subsidiaries of RMB2,872,019,000 (2024: RMB2,479,653,000), as it is not probable that future taxable profits which the losses and deductible temporary differences can be utilised will be available. Included in unrecognised tax losses as at 31 December 2025 are losses of RMB141,094,000, RMB205,994,000, RMB1,108,688,000, RMB549,916,000 and RMB942,331,000 that will be expired in 2026, 2027, 2028, 2029 and 2030, respectively (2024: RMB370,603,000, RMB160,306,000, RMB207,878,000, RMB1,109,250,000 and RMB631,616,000 that will be expired in 2025, 2026, 2027, 2028 and 2029, respectively). Unrecognised tax losses amounting to RMB372,822,000 (2024: RMB258,999,000) was expired during the year ended 31 December 2025.

As at 31 December 2025, the Group did not recognise deferred tax assets in respect of deductible temporary differences, mainly arising from recognition of impairment losses on property, plant and equipment of certain PRC subsidiaries in loss-making position, of RMB324,184,000 (2024: RMB167,292,000), as it is not probable that future taxable profits which the losses and deductible temporary differences can be utilised will be available.

(c) Deferred tax liabilities not recognised

Under the prevailing PRC income tax law and its relevant regulations, foreign corporate investors are levied PRC dividend withholding tax at 10%, unless reduced by tax treaties/arrangements, on dividends declared by PRC-resident enterprises for profits earned subsequent to 1 January 2008.

As at 31 December 2025, temporary differences relating to the undistributed profits of the Company's PRC subsidiaries amounted to RMB16,646,352,000 (2024: RMB21,450,084,000). As at 31 December 2024, the Group did not recognise any deferred tax liability in respect of the withholding tax that would have been payable on the distribution of the undistributed profits of the PRC subsidiaries as the Company controls the dividend policy of these subsidiaries and it had determined that those undistributed profits would not be distributed in the foreseeable future. In the current year ended 31 December 2025, the Company has undertaken a comprehensive review of the shareholders' compositions, current cash positions and foreseeable capital expenditure requirements of its PRC subsidiaries. Upon the completion of the review, the Company determined that dividends amounted to RMB2,018,097,000 were declared by the PRC subsidiaries to their Hong Kong incorporated immediate holding company. The Company considers that these distributions of profits of the Company's PRC subsidiaries in 2025 represented the maximum level of distributions that was appropriate, taking into consideration the relevant facts and circumstances, and accordingly it is determined that the remaining undistributed profits of the Company's PRC subsidiaries amounting to RMB16,646,352,000 as at 31 December 2025 will not be distributed in the foreseeable future. Hence, deferred tax liabilities of RMB1,664,635,200 (2024: RMB2,145,008,000) have not been recognised in respect of the withholding tax that would have been payable on the distribution of the remaining retained profits.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

32. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to the written resolutions of the Company's shareholders passed on 14 June 2008, the Company has adopted the share option scheme (the "**Share Option Scheme**") whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, and any customer or supplier or any persons who has contributed or will contribute to the Group, to take up options.

Pursuant to the written resolution of the Company's board of directors passed on 27 January 2015, the directors of the Company granted certain directors and employees of the Group to take up options to subscribe for 163,700,000 ordinary shares of the Company under the Share Option Scheme. The exercise price of these options is HKD3.68, being the average closing price of the Company's ordinary shares immediately before the grant. These share options were vested six months after being granted and would be exercisable until 26 January 2025. The 163,700,000 options granted by the Company on 27 January 2015 do not include the 43,600,000 options which were conditionally granted to Mr. Zhang Caikui and Mr. Zhang Bin, the ex-directors of the Company. According to the Listing Rules and the Share Option Scheme of the Company, the options granted to Mr. Zhang Caikui and Mr. Zhang Bin required the approval of the shareholders of the Company at an extraordinary general meeting of the Company. However, up until the date of the approval of these consolidated financial statements, the required extraordinary general meeting has not been held. As all the options granted on 27 January 2015 are subject to certain legal proceedings, the Company has given an undertaking on 6 January 2016 that it will not take any step to implement these options before a court decision is made. For details, please refer to the announcements of the Company dated 27 February 2015, 16 March 2015, 18 March 2015, 27 July 2015 and 29 March 2016. Accordingly, the options which were conditionally granted to Mr. Zhang Caikui and Mr. Zhang Bin have not been granted. Of the 163,700,000 options granted by the Company on 27 January 2015 to certain directors and employees of the Group, 163,700,000 (2024: 73,800,000) options were lapsed as at 31 December 2025 in accordance with the terms of the Share Option Scheme.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

32. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

The movements of the Company's share options for the years ended 31 December 2025 and 2024 are as follows:

Type of participants	Date of grant	Vesting Condition	Contractual life of options	Exercise price per share	Outstanding at 1.1.2024	Lapsed during the year	Outstanding at 31.12.2024	Lapsed during the year	Outstanding at 31.12.2025
2015 share options									
Employees	27 January 2015	Six months after the date of grant	10 years	HK\$3.68	90,300,000	(400,000)	89,900,000	(89,900,000)	-
					90,300,000	(400,000)	89,900,000	(89,900,000)	-
Exercisable as at the stated date					90,300,000		89,900,000		
Weighted average exercise price (HK\$ per share)					3.68		3.68		

Pursuant to the terms of the Share Option Scheme, 89,900,000 share options lapsed on 27 January 2025. Accordingly, the Company no longer has outstanding share options under the Share Option Scheme as at the date of this report.

33. CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	Number of share	RMB equivalent RMB'000
Ordinary shares of the Company of USD0.01 each Authorised: At 1 January 2024, 31 December 2024 and 31 December 2025	10,000,000,000	701,472
Issued and fully paid: At 1 January 2024, 31 December 2024 and 31 December 2025	4,353,966,228	295,671

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

33. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

The Board does not recommend the payment of any final dividends for the years ended 31 December 2025 and 2024.

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account of the Company is governed by the Companies Law (Revised) of the Cayman Islands.

(ii) Statutory reserves

Statutory reserves of the Group were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors. The statutory reserves consist of statutory reserve funds and maintenance and production funds.

For the entities concerned, statutory reserves fund can be used to offset accumulated losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance after such conversion is not less than 25% of the registered capital.

According to relevant PRC regulations, the subsidiaries are required to appropriate to a specific statutory reserve to provide funds for maintenance and production and other related expenditures at fixed rates based on relevant bases, such as production volume. The maintenance and production fund could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific statutory reserve account to accumulated profits.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

33. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Nature and purpose of reserves (Continued)

(iii) Other reserves

Other reserves of the Group mainly include:

- (a) the differences of consideration over the net assets of subsidiaries acquired under common control in 2005;
- (b) the differences of consideration over the net assets of non-controlling interests acquired by Shandong Shanshui in 2005;
- (c) the difference between the nominal value of the share capital of the Company and the nominal value of the share capital and share premium of China Shanshui (HK) on the Share Swap; and
- (d) the difference between the considerations of acquisition or disposal of equity interests from/to non-controlling equity owners and the carrying amount of the proportionate net assets.

(iv) Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

33. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Distributability of reserves

Under the Companies Law of the Cayman Islands, the funds in the share premium account net of the accumulated losses account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Any distributions proposed by the directors of the Company is subject to the approval of the Company's shareholders at the annual general meeting and all necessary order and approval from the Grand Court given the outstanding winding-up petition against the Company.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including all bank loans and other borrowings, if any, as shown in the consolidated statement of financial position) less bank balances and cash. Total capital is calculated as total equity plus net debt.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

33. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management (Continued)

The net gearing ratio of the Group is as follows:

	Notes	2025 RMB'000	2024 RMB'000
Bank loans – amount due within one year	25	4,505,890	3,797,750
Bank loans – amount due after one year	25	805,170	1,567,710
Total debt		5,311,060	5,365,460
Less: Bank balances and cash	24	(2,356,613)	(2,179,627)
Net debt		2,954,447	3,185,833
Total equity		16,983,966	18,192,206
Total capital		19,938,413	21,378,039
Net gearing ratio*		14.8%	14.9%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

* Net gearing ratio = net debt/ (net debt + equity of the Company).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

34. 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:

	<i>RMB'000</i>
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:

	<i>RMB'000</i>
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:

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Financial assets		
At FVTPL	19,195	20,051
At amortised cost	5,909,732	6,017,980
	5,928,927	6,038,031
Financial liabilities		
Amortised cost	10,235,771	10,688,000
Lease liabilities	170,706	71,360
	10,406,477	10,759,360

(b) Financial risk management objectives and policies

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and bills receivable and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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

The Group generally does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In respect of trade receivable for sales of cement, clinker and aerated bricks, individual credit evaluations are only performed when the customers required credit. In respect of trade receivable for sales of concrete, individual credit evaluations are performed on all customers requiring credit over a certain amount. In order to minimise the credit risk, the management has delegated a team to be responsible for evaluations and determination of credit limits and credit approvals. These evaluations focus on customer's payment history which takes into account of information specific to the customer, as well as pertaining to the economic environment in which the customer operates. For sales of concrete, debtors with balances that are more than six months past due are requested to settle all outstanding balances before any further credit is granted. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The bills receivables are all issued by reputable banks of good credit quality. The management considered the credit risk of these bank issued bills is insignificant and no impairment was provided on them at the year end.

The credit risks on restricted bank deposits, fixed bank deposits and bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

The Group's concentration of credit risk by geographical location is mainly in the PRC as of 31 December 2025 and 2024. Other than that, the Group does not have any other significant concentration of credit risk.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and bills receivables	Other financial assets
Low Risk	The aging of the exposure at default ("EAD") is less than 60 days. Based on management's assessment of debtor's typical project and payment processes, aging of EAD of less than 60 days is considered current.	Lifetime ECL– not credit- impaired	12m ECL
Fair Risk	The aging of EAD is less than 1 year. Based on management's assessment of debtor's typical payment process in the industry, aging of EAD of less than 1 year is considered reasonable.	Lifetime ECL– not credit- impaired	12m ECL
Substandard	The risk of non-payment increases as the time period is longer than normal expected process.	Lifetime ECL– not credit- impaired	Lifetime ECL– not credit- impaired
Doubtful	Indicates the aging of the debtor is within 2 years, the recovery of complete payments may be difficult.	Lifetime ECL– credit- impaired	Lifetime ECL– credit- impaired
Loss	Indicates the aging of the debtor is more than 2 years, the recovery of complete payment becomes unlikely.	Lifetime ECL– credit- impaired	Lifetime ECL– credit- impaired

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

Financial asset with credit risk exposure

Trade receivables

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its business operation. The Group measures loss allowance for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significant different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2025 and 2024:

	31 December 2025			31 December 2024		
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
<i>Type 1: Not credit-impaired customers:</i>						
Grade 1 – Low risk	0.04%	91,253	34	0.04%	117,894	49
Grade 2 – Fair risk	7.09%	339,755	24,100	7.39%	763,452	56,382
Grade 3 – Substandard	14.72%	238,446	35,090	14.87%	254,457	37,829
		669,454	59,224		1,135,803	94,260
<i>Type 2: Credit impaired customers:</i>						
Grade 4 – Doubtful	29.79%	222,524	66,298	30.20%	89,881	27,148
Grade 5 – Loss	58.11%	100,336	58,304	57.46%	121,719	69,941
		322,860	124,602		211,600	97,089
<i>Type 3: Other customers:</i>						
Assessed individually	100%	66,943	66,943	100%	45,510	45,510
		1,059,257	250,769		1,392,913	236,859

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

Financial asset with credit risk exposure (Continued)

Trade receivables (Continued)

The estimated loss rates are estimated based on evaluation of collectability and on management's judgment, including the current creditworthiness and the past collection statistics in respect of the debtors and are adjusted for forward-looking information (considering the weighted impact to the loss rates caused by industry change, growth in economy, etc., with reference to statistical data from professional institutes) that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtor is updated.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	<i>RMB'000</i>
As at 1 January 2024	262,428
Impairment losses recognised	119,481
Impairment losses reversed	(130,357)
Uncollectible amount written off	(14,693)
At 31 December 2024	236,859
Impairment losses recognised	64,015
Impairment losses reversed	(50,105)
At 31 December 2025	250,769

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

Financial asset with credit risk exposure (Continued)

Other receivables

Deposits and amounts due from related parties, which are measured at amortised cost were considered of low credit risk, and thus the impairment provision recognised during the year was limited to 12m ECL.

For amounts due from third parties and other receivables, the management makes periodic individual assessment on the recoverability based on historical settlement records, past experience, quantitative and qualitative information that is reasonable and supportive forward-looking information.

As at 31 December 2025, included in amounts due from third parties are amounts due from the former shareholders of certain subsidiaries of the Group, of aggregate gross carrying amounts of RMB301,254,000 (2024: RMB301,254,000). The former shareholders were in financial difficulties and the management considers the probability of default is significant in view that these amounts have been overdue for a long period of time. Accordingly, loss allowance of RMB301,254,000 (2024: RMB301,254,000) was provided for these amounts as at 31 December 2025 and 2024.

For the remaining balances of amounts due from third parties and other receivables of aggregate gross carrying amounts of RMB744,991,000 (2024: RMB803,547,000), the management considers the probability of default by assessing the counterparties' financial background and creditability loss allowance of RMB304,606,000 (2024: RMB301,022,000) were made on credit-impaired debtors. In aggregate, loss allowance of approximately RMB321,941,000 (2024: RMB305,447,000) was provided for as at 31 December 2025.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

Financial asset with credit risk exposure (Continued)

Other receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for other receivables as at 31 December 2025 and 2024:

	31 December 2025			31 December 2024		
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
<i>Type 1: Not credit-impaired debtors:</i>						
Grade 1 – Low risk	2.31%	392,004	9,074	–	494,974	–
Grade 2 – Fair risk	7.56%	39,003	2,950	–	–	–
Grade 3 – Substandard	21.98%	254	56	–	–	–
		431,261	12,080		494,974	–
<i>Type 2: Credit impaired debtors:</i>						
Grade 4 – Doubtful	57.60%	9,124	5,255	58.60%	7,551	4,425
Grade 5 – Loss	100%	605,860	605,860	100%	602,276	602,276
		614,984	611,115		609,827	606,701
		1,046,245	623,195		1,104,801	606,701

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

Financial asset with credit risk exposure (Continued)

Other receivables (Continued)

Movement in the loss allowance account in respect of other receivables during the year is as follows:

	<i>RMB'000</i>
As at 1 January 2024	596,817
Impairment losses recognised	43,016
Impairment losses reversed	(25,933)
Uncollectible amount written off	(7,199)
At 31 December 2024	606,701
Impairment losses recognised	30,979
Impairment losses reversed	(14,485)
At 31 December 2025	623,195

(ii) Liquidity risk

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, so that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

Shandong Shanshui and the Company are responsible for the Group's overall cash management and the raising of borrowings in the mainland China or overseas market to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

The Group entered into supplier finance arrangement to ease access to credit for its suppliers and facilitate early settlement to the suppliers. The facility for borrowings under supplier finance arrangement is entered into for a period of 10-360 days. Details of the arrangements are set out in note 25(i).

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2025					Total	Carrying amount
	Contractual undiscounted cash outflow						
	Within 3 months or on demand	More than 3 months but less than 6 months	More than 6 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years		
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Bank loans (note 25)	1,223,402	1,846,780	1,657,704	961,377	-	5,689,263	5,311,060
Trade payables (note 26)	2,729,961	-	-	-	-	2,729,961	2,729,961
Other payables and accrued expenses (note 27(a))	1,651,176	14,800	17,450	-	-	1,683,426	1,651,176
Long-term payables (note 27(c))	-	-	-	129,000	994,864	1,123,864	543,574
Lease liabilities (note 30)	2,543	4,942	16,055	78,816	125,474	227,830	170,706
	5,607,082	1,866,522	1,691,209	1,169,193	1,120,338	11,454,344	10,406,477

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

	2024					Total	Carrying amount
	Contractual undiscounted cash outflow						
	Within 3 months or on demand	More than 3 months but less than 6 months	More than 6 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans (note 25)	1,051,991	1,612,438	1,176,055	1,678,896	–	5,519,380	5,365,460
Trade payable (note 26)	2,966,434	–	–	–	–	2,966,434	2,966,434
Other payables and accrued expenses (note 27(a))	1,783,488	14,885	17,450	–	–	1,815,823	1,783,488
Long-term payables (note 27(c))	–	–	–	149,000	1,049,780	1,198,780	572,618
Lease liabilities (note 30)	433	2,350	8,234	32,209	55,830	99,056	71,360
	5,802,346	1,629,673	1,201,739	1,860,105	1,105,610	11,599,473	10,759,360

(iii) Interest rate risk

Cash and cash equivalents, pledged bank deposits and bank loans are the major types of the Group's financial instruments subject to interest rate risk.

The Group is exposed to fair value interest rate risk in relation to fixed rate bank loans (see below for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 24 for details) and variable-rate bank loans (see below for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of base rate announced by the People's Bank of China or applicable market rates arising from the Group's Renminbi denominated borrowings. The management does not anticipate fluctuation of interest rate to have significant impact to cash and cash equivalents and pledged bank deposits because the interest rates of the bank deposits are not expected to change significantly. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Interest rate risk (Continued)

Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing bank loans and other borrowings at the end of the reporting period.

	2025		2024	
	Effective interest rate %	<i>RMB'000</i>	Effective interest rate %	<i>RMB'000</i>
Fixed-rate borrowings:				
Bank loans	2.11%-3.95%	1,992,000	3.10%-4.35%	2,748,000
		1,992,000		2,748,000
Variable-rate borrowings:				
Bank loans	2.96%-3.90%	3,319,060	3.48%-4.40%	2,617,460
		3,319,060		2,617,460
Total borrowings		5,311,060		5,365,460
Net fixed rate borrowings as a percentage of total borrowings		38%		51%

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis above indicates the instantaneous change in the Group's loss or profit for the year (and accumulated profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and in respect of the exposure to cash flow interest rate risk arising from variable-rate bank loans of the Group at the end of the reporting period. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant. The impact on the Group's loss or profit for the year (and accumulated profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2024 and 2025.

At 31 December 2025, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year (and decrease/increase accumulated profits) by approximately RMB24,893,000 (2024: increase/decrease the Group's loss for the year (and decrease/increase accumulated profit) by RMB19,631,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

(iv) Currency risk

The Group does not have significant currency risk.

The Group did not hedge its foreign currency exposure other than by retaining its foreign currency denominated earnings and receipts to the extent permitted by the State Administration of Foreign Exchange. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(v) Equity price risk

The Group is exposed to equity price changes primarily arising from the investments in equity securities measured at FVTPL (see note 19).

For equity securities measured at FVTPL quoted in the Shanghai Stock Exchange, the investments have been chosen by the management based on its longer term growth potential and are monitored regularly by the management for performance against expectations.

For unquoted equity securities measured at FVTPL, they are susceptible to market price risk arising from uncertainties about future values of those instruments. The management provides the Group with internal investment recommendations. To manage the price risk, the management reviews the performance of the portfolio companies on a semi-annual basis and is in regular contact with the management of the portfolio companies for business and operational matters. Results of these reviews are reported regularly to the board of directors.

At 31 December 2025, it is estimated that an increase/decrease of 50% (2024: 50%) in the relevant stock price of the listed investment with all other variables held constant, would have decreased/increased the Group's loss for the year (and increased/decreased accumulated profit) by RMB3,488,000 (2024: RMB3,738,000) as a result of the change in the stock price of the listed investments.

The sensitivity analysis indicates the instantaneous change in the Group's loss or profit for the year and accumulated profits that would arise assuming that the changes in the stock price had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock price, that none of the Group's financial assets at FVTPL would be considered impaired as a result of the decrease in the relevant stock price, and that all other variables remain constant. The analysis is performed on the same basis for 2025 and 2024.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

35. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments

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

(i) Fair value measurement and valuation process

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

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

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

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 works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

35. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (Continued)

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to the fair value
	31/12/2025	31/12/2024				
	RMB'000	RMB'000				
1 Equity securities listed in the PRC classified as financial assets at FVTPL	9,302	9,969	Level 1	Quoted bid prices in an active market	N/A	N/A
2 Equity investments in PRC non-listed companies classified as financial assets at FVTPL	9,893	10,082	Level 3	Guideline public company method	Discount for lack of marketability: 15% (2024: 15%) Price-to-earnings ("PE") ratio: 5.27 (2024: 5.31)	The higher the discount for lack of marketability, the lower the fair value The higher the PE ratio, the higher the fair value

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

35. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (Continued)

(iii) Reconciliation of Level 3 fair value measurements

	Unlisted equity securities RMB'000
At 1 January 2024	7,815
Addition	1,341
Fair value gain (included in profit or loss)	926
At 31 December 2024	10,082
Fair value loss (included in profit or loss)	(189)
At 31 December 2025	9,893

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

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

36. CAPITAL COMMITMENTS

	2025 RMB'000	2024 RMB'000
Capital expenditure in respect of the acquisitions of property, plant and equipment authorised and contracted for but not provided for in the consolidated financial statements	820,387	1,085,833

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

37. CONTINGENT LIABILITIES AND OTHER EVENTS

(a) Litigation contingencies

As at 31 December 2025, several litigation claims had been initiated by certain suppliers against the Group to demand immediate repayment of the outstanding balance in relation to certain sales contracts of cement and other products with an aggregate amount of RMB23,791,000 (2024: RMB40,412,000), which claims have not yet been concluded. No provision for these litigation claims was made in these consolidated financial statements during the year ended 31 December 2025 as in the opinion of the directors of the Company, the possibility of an outflow of economic resources cannot be reliably determined. Certain bank deposits were frozen by the PRC Court as a result and are set out in note 24.

(b) Litigation in the Cayman Islands

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

- (i) The Company was served on 4 June 2019 with a Writ of Summons issued on 27 May 2019 in the Grand Court (the "**Cayman Writ**"). The Cayman 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 Cayman 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 Cayman Writ and Tianrui's claim.

On 1 July 2022, the Cayman Islands Court of Appeal delivered its judgment ordering that the Cayman 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 Cayman Writ as a derivative claim.

On 11 October 2022, the Court of Appeal granted Tianrui leave to appeal to Privy Council against its decision. On 23 December 2022, Tianrui filed a notice of appeal to the Privy Council against the decision of the Court of Appeal, the Privy Council handed down its judgment on 14 November 2024 (the "**Privy Council Judgment**") allowing Tianrui's appeal. The effect of the Privy Council Judgment is merely upholding that Tianrui has the standing to proceed with its claim by the Cayman Writ as a shareholder personally. However, the Privy Council did not make any findings as to the factual allegations and merits of Tianrui's claim, which are matters for the Grand Court to decide at trial.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

37. 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 Material 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 Cayman Writ to confine the relief it is seeking to declarations that (i) the exercise by the Company’s directors of the power to issue certain convertible bonds on or about 8 August and/or on about 3 September 2018 was not a valid exercise of the said power; (ii) the exercise by the directors on 30 October 2018 of the power to convert the aforesaid bonds and the power to issue new shares was not a valid exercise of the said powers; and (iii) the exercise by the directors of the power to issue all other shares and securities in the Company after 1 August 2018 was not valid exercise of the said power.

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. 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. The Grand Court also made an order dated 7 February 2022 containing directions for discovery, and an order dated 9 April 2024 in respect of the search parameters for discovery and costs of discovery.

On 11 December 2025, the Grand Court delivered a decision among others dismissing Tianrui’s application for the Cayman Writ and the Cayman Petition to be heard together.

The Case Management Conference and trial of the Cayman Petition have been respectively fixed for 8 July 2026 and 4 weeks from 12 October 2026.

As to the Cayman Writ, in light of the Privy Council Judgment, the parties are still in the process of submitting the pleadings. It will take some time before the matter could proceed to trial.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

37. 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 (see note 39(b)(ii)) (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 “**1013 Hearing Together Summons**”). All parties in HCA 548 of 2019 are neutral to the 1013 Hearing Together Summons, except Tianrui Group, Tianrui, 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 “**1013 Strike-Out Summons**”).

On 2 September 2025, DHCJ Andrew Li handed down decision dismissing the 1013 Strike-Out Summons, and allowing the 1013 Hearing Together Summons.

Other than the disclosure set out above, as at 31 December 2025, so far as the directors of the Company were aware, the Group had no other material litigation or claim which was pending or threatened against the Group. As at 31 December 2025, the Group was the defendant of certain non-material litigations, a party to certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business. The likely outcome of these litigations or other legal proceedings cannot be ascertained at present, but the directors of the Company believe that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Other payables (note 27) RMB'000	Lease liabilities (note 30) RMB'000	Bank loans (note 25) RMB'000	Total RMB'000
At 1 January 2024	914,745	57,634	5,132,457	6,104,836
Proceeds from new bank loans	–	–	6,311,750	6,311,750
Repayment of bank loans	–	–	(6,078,747)	(6,078,747)
Repayment of lease liabilities	–	(13,832)	–	(13,832)
Total changes from financing cash flow	–	(13,832)	233,003	219,171
Interest paid classified as operating cash outflow	(160,984)	–	–	(160,984)
Additions to liabilities	–	24,637	–	24,637
Interest expense (note 9(a))	160,393	2,921	–	163,314
Exchange difference	13,552	–	–	13,552
At 31 December 2024	927,706	71,360	5,365,460	6,364,526

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Reconciliation of Liabilities Arising from Financing Activities (Continued)

	Other payables (note 27) RMB' 000	Lease liabilities (note 30) RMB' 000	Bank loans (note 25) RMB' 000	Total RMB' 000
At 1 January 2025	927,706	71,360	5,365,460	6,364,526
Proceeds from new bank loans	–	–	4,719,450	4,719,450
Repayment of bank loans	–	–	(4,773,850)	(4,773,850)
Repayment of lease liabilities	–	(34,238)	–	(34,238)
Dividends paid to non-controlling interests	(24,306)	–	–	(24,306)
Total changes from financing cash flow	(24,306)	(34,238)	(54,400)	(112,944)
Interest paid classified as operating cash outflow	(140,557)	–	–	(140,557)
Additions to liabilities	–	126,001	–	126,001
Interest expense (note 9(a))	141,054	12,237	–	153,291
Loss on early termination of lease	–	(4,654)	–	(4,654)
Distribution to non-controlling interests	74,996	–	–	74,996
Exchange difference	(19,145)	–	–	(19,145)
At 31 December 2025	959,748	170,706	5,311,060	6,441,514

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Information of supplier finance arrangements

	31/12/2025	31/12/2024
	RMB'000	RMB'000
Carrying amount of the financial liabilities that are subject to supplier finance arrangements		
Presented as part of "Bank loans" (<i>note 25</i>)	512,500	806,000
– Of which suppliers have already received payment from the finance provider	512,500	806,000
	31/12/2025	31/12/2024
	Days	Days
Range of payment due dates		
For liabilities presented as part of "Bank loans":		
– Liabilities that are part of supplier finance arrangements	180-360	180-360
– Comparable trade payables that are not part of supplier finance arrangements	30-180	30-180

Changes in liabilities that are subject to supplier finance arrangements are primarily attributable to additions resulting from purchases of goods and services and subsequent cash settlements. During the year, borrowings under supplier finance arrangement of RMB512,500,000 (2024: RMB806,000,000) represent the payments to the suppliers by the relevant banks directly. There were no other material non-cash changes in these liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

39. RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties

Apart from the transactions and the balances with related parties disclosed elsewhere in these consolidated financial statements, the Group also entered into the following significant transactions with related parties during the years ended 31 December 2025 and 2024:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Sales		
Associates of the Group	–	100,319
Fellow subsidiary of a major shareholder* of the Company	80,384	18,846
Subsidiaries of a major shareholder* of the Company	33,543	60,831
Associate of a major shareholder* of the Company	7,194	840
	121,121	180,836
Purchases		
Associates of the Group	4,859	15,269
Fellow subsidiary of a major shareholder* of the Company	85	242
Subsidiaries of a major shareholder* of the Company	5,713	67,545
Associate of a major shareholder* of the Company	692	21,232
	11,349	104,288

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

39. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (Continued)

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Provision of mine development, maintenance and related engineering services		
Fellow subsidiary of a major shareholder* of the Company	–	3
Subsidiaries of a major shareholder* of the Company	561,755	559,748
	561,755	559,751
Engineering service fee		
Fellow subsidiary of a major shareholder* of the Company	2,569	1,102
Subsidiaries of a major shareholder* of the Company	165,087	180,932
Associate of a major shareholder* of the Company	173	1,327
	167,829	183,361
Transportation fee		
Associate of the Group	91,811	169,984

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

39. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties

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

	As at 31 December 2025 RMB'000	As at 31 December 2024 RMB'000
Trade receivables from (note (i)):		
Subsidiaries of a major shareholder* of the Company	1,691	2,745
Prepayments to (note (i)):		
Associates of the Group	33	1,979
Fellow subsidiary of a major shareholder* of the Company	179	–
Subsidiaries of a major shareholder* of the Company	19,195	12,294
Associate of a major shareholder* of the Company	574	825
	19,981	15,098
Other receivables from (note (i)):		
Shareholder of the Company	782	798
Associates of the Group	193	193
Fellow subsidiary of a major shareholder* of the Company	24	–
Subsidiaries of a major shareholder* of the Company	43	7,494
	1,042	8,485
Trade payable to (note (i)):		
Associates of the Group	52,320	55,358
Fellow subsidiary of a major shareholder* of the Company	1,109	1,587
Subsidiaries of a major shareholder* of the Company	250,245	210,424
Associate of a major shareholder* of the Company	681	704
	304,355	268,073

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

39. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties (Continued)

	As at 31 December 2025 RMB'000	As at 31 December 2024 RMB'000
Contract liabilities from (note (i)):		
Fellow subsidiary of a major shareholder* of the Company	1,691	1,944
Subsidiary of a major shareholder* of the Company	2,277	933
Associate of a major shareholder* of the company	125	92
	4,093	2,969
Other payables to:		
Shareholder of the Company (note (ii))	903,834	922,979
Associates of the Group	11	11
Fellow subsidiary of a major shareholder* of the Company	50	50
Subsidiaries of a major shareholder* of the Company	5,879	4,789
	909,774	927,829

* During the years ended 31 December 2025 and 2024, the PRC subsidiaries of the Company have been carrying out continuing connected transactions with affiliates of China National Building Material Company Limited, one of the major shareholders of the Company which owns 12.94% equity interest in the Company.

Notes:

- (i) The amounts are unsecured, interest free and repayable on demand.
- (ii) The amount represented loans from Tianrui Group which are denominated in USD and HKD. As at 31 December 2025, the outstanding loans with total principal amount of RMB903,834,000 (2024: RMB922,979,000) are unsecured, interest free and repayable on demand. The loans are at present subject to legal dispute proceedings involving the Group as set out in note 37(c).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

39. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel remuneration

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

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in note 11, is as follows:

	2025 RMB'000	2024 RMB'000
Salary, allowances and other benefits	12,314	18,951
Contributions to defined contribution retirement plans	286	311
	12,600	19,262

The remuneration of directors and senior management is recommended by the Remuneration Committee based on the performance of individuals and market trends and determined by the board of directors.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Non-current assets		
Investment in a subsidiary	680,382	680,382
Amounts due from subsidiaries	4,319,734	4,384,134
Right-of-use assets	742	–
	5,000,858	5,064,516
Current assets		
Other receivables	326	393
Fixed bank deposits	256,025	215,652
Cash and cash equivalents	195,175	268,903
	451,526	484,948
Current liabilities		
Amount due to a subsidiary	1,355,617	1,372,694
Other payables and accrued expenses	938,379	958,235
Lease liabilities	394	–
	2,294,390	2,330,929
Net current liabilities	(1,842,864)	(1,845,981)
Total assets less current liabilities	3,157,994	3,218,535
Non-current liability		
Lease liabilities	409	–
Net assets	3,157,585	3,218,535
Capital and reserves		
Share capital	295,671	295,671
Reserves	2,861,914	2,922,864
Total equity	3,157,585	3,218,535

The Company's statement of financial position was approved and authorised for issue by the board of directors on 4 March 2026 and were signed on its behalf by:

TENG Yongjun
Director

WU, Ling-ling
Director

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movements in the Company's reserves

	Share premium <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2023	8,235,037	413,035	(271,259)	(5,467,170)	2,909,643
Total comprehensive income/(expenses) for the year	–	–	42,106	(28,885)	13,221
At 31 December 2024	8,235,037	413,035	(229,153)	(5,496,055)	2,922,864
Total comprehensive (expenses)/income for the year	–	–	(62,697)	1,747	(60,950)
At 31 December 2025	8,235,037	413,035	(291,850)	(5,494,308)	2,861,914

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

41. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2025	2024	2025	2024	2025	2024	
(a) Enterprises established in Hong Kong									
China Shanshui Cement Group (Hong Kong) Company Limited 中國山水水泥集團(香港)有限公司	Hong Kong, PRC 25 January 2005	HKD10,000	100.00	100.00	100.00	100.00	-	-	Investment holding
China Pioneer Cement (Hong Kong) Company Limited 中國先鋒水泥(香港)有限公司	Hong Kong, PRC 25 January 2005	HKD0.01	100.00	100.00	-	-	100.00	100.00	Investment holding
(b) Enterprises established outside the PRC									
Continental Cement Corporation 康達水泥有限公司	British Virgin Islands 30 May 2000	USD100	100.00	100.00	-	-	100.00	100.00	Investment holding
American Shanshui Development INC. 美國山水發展公司	Delaware, U.S.A. 28 June 2012	Paid-in capital USD1,000,000	100.00	100.00	-	-	100.00	100.00	Selling agent of cement product and building materials

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

41. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2025	2024	2025	2024	2025	2024	
(c) Wholly foreign-owned enterprises established in the PRC									
Shandong Shanshui Cement Group Ltd. 山東山水水泥集團有限公司	Shandong, PRC 10 August 2001	Registered capital of RMB3,633,000,000 and paid-in capital RMB3,623,028,752	100.00	100.00	–	–	100.00	100.00	Investment holding
Continental (Shandong) Cement Corporation 康達(山東)水泥有限公司	Shandong, PRC 6 April 2002	USD39,565,500	100.00	100.00	–	–	100.00	100.00	Production and sales of cement and clinker
Shandong Shanshui Financial Leasing Co., Ltd. 山東山水融資租賃有限公司	Shandong, PRC 18 July 2014	RMB230,000,000	100.00	100.00	–	–	100.00	100.00	Offering financial leasing service
(d) Sino-foreign equity joint venture enterprises established in the PRC									
Pingyin Shanshui Cement Co., Ltd. 平陰山水水泥有限公司	Shandong, PRC 1 August 2003	RMB178,000,000	98.97	98.97	–	–	99.65	99.65	Production and sales of cement and clinker
Anqiu Shanshui Cement Co., Ltd. 安丘山水水泥有限公司	Shandong, PRC 4 August 2003	RMB226,500,000	99.00	99.00	–	–	99.70	99.70	Production and sales of cement and clinker

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

41. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2025	2024	2025	2024	2025	2024	
(d) Sino-foreign equity joint venture enterprises established in the PRC (continued)									
Weihai Shanshui Cement Co., Ltd. 威海山水水泥有限公司	Shandong, PRC 25 March 2008	USD24,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Dandong Shanshui Gongyuan Cement Co., Ltd. 丹東山水工源水泥有限公司	Liaoning, PRC 31 March 2008	USD12,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Qingdao Shanshui Chuangxin Cement Co., Ltd. 青島山水創新水泥有限公司	Shandong, PRC 25 April 2008	USD28,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Shenyang Shanshui Gongyuan Cement Co., Ltd. 瀋陽山水工源水泥有限公司	Liaoning, PRC 9 July 2008	USD16,587,400	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Linqu Shanshui Cement Co., Ltd. 臨朐山水水泥有限公司	Shandong, PRC 18 July 2008	Registered capital of USD25,000,000 and paid-in capital USD24,990,700	100.00	100.00	–	–	100.00	100.00	Production and sales of cement and clinker
Zaozhuang Chuangxin Shanshui Cement Co., Ltd. 棗莊創新山水水泥有限公司	Shandong, PRC 5 September 2008	USD30,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement and clinker
Linqu Shanshui Building Material Aggregate Co., Ltd. 臨朐山水建材骨料有限公司	Shandong, PRC 27 December 2012	USD5,060,000	100.00	100.00	–	–	100.00	100.00	Production and sales of concrete aggregate

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

41. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2025	2024	2025	2024	2025	2024	
(e) Domestic companies established in the PRC									
Liaoyang Qianshan Cement Co., Ltd. 遼陽千山水泥有限責任公司	Liaoning, PRC 5 June 1989	RMB100,000,000	73.00	73.00	–	–	73.00	73.00	Production and sales of cement and clinker
Shandong Cement Factory Co., Ltd. 山東水泥廠有限公司	Shandong, PRC 3 April 1990	RMB182,000,000	99.00	99.00	–	–	99.00	99.00	Production and sales of cement, concrete and limestone
Liaoning Gongyuan 遼寧山水工源水泥有限公司	Liaoning, PRC 13 July 1998	RMB2,000,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement, clinker and related products
Feicheng Shanshui Cement Co., Ltd. 肥城山水水泥有限公司	Shandong, PRC 16 June 1999	RMB30,000,000	90.00	90.00	–	–	90.00	90.00	Production and sales of cement
Chifeng Yuanhang 赤峰山水遠航水泥有限公司	Inner Mongolia, PRC 5 August 2000	RMB200,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement, clinker and related products

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

41. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2025	2024	2025	2024	2025	2024	
(e) Domestic companies established in the PRC (continued)									
Jinan Shi-ji Chuang-xin Cement Co., Ltd. 濟南世紀創新水泥有限公司	Shandong, PRC 17 January 2002	RMB41,460,000	95.18	95.18	-	-	95.18	95.18	Production and sales of cement and related products
Tianjin City Tianhui Cement Co., Ltd. 天津市天輝水泥有限公司	Tianjin, PRC 22 July 2002	RMB16,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement
Changle Shanshui Cement Co., Ltd. 昌樂山水水泥有限公司	Shandong, PRC 30 July 2002	RMB24,700,000	99.00	99.00	-	-	99.00	99.00	Production and sales of cement, clinker and concrete
Yantai Shanshui Cement Co., Ltd. 煙台山水水泥有限公司	Shandong, PRC 22 November 2002	RMB155,500,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement and clinker
Jinan Shanshui Wuliugang Co., Ltd. 濟南山水物流港有限公司	Shandong, PRC 28 March 2003	RMB10,000,000	99.00	99.00	-	-	99.00	99.00	Sales of coal and product; sales of metal parts and instrumentation equipment
Binzhou Shanshui Cement Co., Ltd. 濱州山水水泥有限公司	Shandong, PRC 30 July 2003	RMB5,000,000	99.00	99.00	-	-	99.00	99.00	Production and sales of cement

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

41. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2025	2024	2025	2024	2025	2024	
(e) Domestic companies established in the PRC (continued)									
Shandong Shanshui Cement Industrial Design Development Co., Ltd. 山東山水水泥工業設計開發有限公司	Shandong, PRC 1 August 2003	RMB6,000,000	99.00	99.00	–	–	99.00	99.00	Development and sales of machinery and electronics, management of construction project and technical consultation
Liaocheng Shanshui Cement Co., Ltd. 聊城山水水泥有限公司	Shandong, PRC 1 August 2003	RMB20,000,000	99.00	99.00	–	–	99.00	99.00	Production and sales of cement and concrete
Gucheng Shanshui Cement Co., Ltd. 故城山水水泥有限公司	Hebei, PRC 4 August 2003	RMB5,000,000	99.00	99.00	–	–	99.00	99.00	Production and sales of cement
Dongying Shanshui Cement Co., Ltd. 東營山水水泥有限公司	Shandong, PRC 4 August 2003	RMB5,000,000	99.00	99.00	–	–	99.00	99.00	Production and sales of cement
Zibo Shanshui Cement Co., Ltd. 淄博山水水泥有限公司	Shandong, PRC 5 August 2003	RMB60,000,000	99.00	99.00	–	–	99.00	99.00	Production and sales of clinker and limestone

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

41. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2025	2024	2025	2024	2025	2024	
(e) Domestic companies established in the PRC (continued)									
Weifang Shanshui Cement Co., Ltd. 潍坊山水水泥有限公司	Shandong, PRC 29 December 2003	RMB150,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement, limestone and concrete
Qingdao Shanshui Hengtai Cement Co., Ltd. 青島山水恒泰水泥有限公司	Shandong, PRC 10 June 2004	RMB200,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement
Zibo Shuangfeng Shanshui Cement Co., Ltd. 淄博雙鳳山水水泥有限公司	Shandong, PRC 1 July 2004	RMB150,000,000	99.93	99.93	-	-	99.93	99.93	Production and sales of cement
Zaozhuang Shanshui Cement Co., Ltd. 棗莊山水水泥有限公司	Shandong, PRC 28 July 2004	RMB70,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement and clinker
Jining Shanshui Cement Co., Ltd. 濟寧山水水泥有限公司	Shandong, PRC 21 January 2005	RMB100,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement, clinker, concrete, limestone and related products
Juye Shanshui Cement Co., Ltd. 巨野山水水泥有限公司	Shandong, PRC 17 May 2006	RMB10,000,000	99.96	99.96	-	-	100.00	100.00	Production and sales of cement
Yishui Shanshui Cement Co., Ltd. 沂水山水水泥有限公司	Shandong, PRC 28 September 2007	RMB128,700,000	99.38	99.38	-	-	99.38	99.38	Production and sales of clinker and limestone
Kenli Shanshui Cement Co., Ltd. 壟利山水水泥有限公司	Shandong, PRC 21 December 2007	RMB12,000,000	90.00	90.00	-	-	90.00	90.00	Production and sales of cement

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

41. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2025	2024	2025	2024	2025	2024	
(e) Domestic companies established in the PRC (continued)									
Qingdao Huading Building Material Co., Ltd. 青島華鼎建材有限公司	Shandong, PRC 24 January 2008	RMB20,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of concrete
Weifang Ningshi Shanshui Cement Co., Ltd. 濰坊凝石山水水泥有限公司	Shandong, PRC 16 May 2008	RMB50,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Yishui Chuangxin Shanshui Cement Co., Ltd. 沂水創新山水水泥有限公司	Shandong, PRC 2 June 2009	RMB30,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement and concrete
Qingdao Shanshui Jianxin Cement Co., Ltd. 青島山水建新水泥有限公司	Shandong, PRC 18 June 2009	RMB20,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Weifang Binhai Shanshui Cement Co., Ltd. 濰坊濱海山水水泥有限公司	Shandong, PRC 4 August 2009	RMB42,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Tianjin Shanshui Cement Co., Ltd. 天津山水水泥有限公司	Tianjin, PRC 26 August 2009	RMB100,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Shanxian Shanshui Cement Co., Ltd. 單縣山水水泥有限公司	Shandong, PRC 27 August 2009	RMB60,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Caoxian Shanshui Cement Co., Ltd. 曹縣山水水泥有限公司	Shandong, PRC 28 August 2009	RMB22,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

41. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2025	2024	2025	2024	2025	2024	
(e) Domestic companies established in the PRC (continued)									
Bozhou Shanshui Cement Co., Ltd. 亳州山水水泥有限公司	Anhui, PRC 3 September 2009	RMB40,000,000	100.00	100.00	-	-	100.00	100.00	Establishment of cement production line
Bengbu Shanshui Cement Co., Ltd. 蚌埠山水水泥有限公司	Anhui, PRC 4 September 2009	RMB30,000,000	100.00	100.00	-	-	100.00	100.00	Establishment of cement production line
Weishan Shanshui Cement Co., Ltd. 微山山水水泥有限公司	Shandong, PRC 28 September 2009	RMB100,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement and clinker
Shanxi Shanshui Cement Co., Ltd. 山西山水水泥有限公司	Shanxi, PRC 25 December 2009	RMB1,716,500,000	100.00	100.00	-	-	100.00	100.00	Sales of cement and cement related products
Laoling Shanshui Cement Co., Ltd. 樂陵山水水泥有限公司	Shandong, PRC 9 February 2010	RMB30,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement
Qingdao Huading New Building Material Co., Ltd. 青島華鼎建築新材料有限公司	Shandong, PRC 10 February 2010	RMB56,103,200	100.00	100.00	-	-	100.00	100.00	Production and sales of concrete
Dezhou Zhucheng 德州築城商品混凝土有限公司	Shandong, PRC 2 March 2010	Registered capital of RMB30,000,000 and paid-in capital RMB10,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of concrete
Weifang Wanda Building Materials Co., Ltd. 濰坊萬達建材有限公司	Shandong, PRC 17 March 2010	RMB50,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of concrete

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

41. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2025	2024	2025	2024	2025	2024	
(e) Domestic companies established in the PRC (continued)									
Kashi Shanshui Cement Co., Ltd. 喀什山水水泥有限公司	Xinjiang, PRC 17 August 2010	RMB500,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Dezhou Shanshui Concrete Co., Ltd. 德州山水混凝土有限公司	Shandong, PRC 31 August 2010	RMB66,100,000	100.00	100.00	–	–	100.00	100.00	Production and sales of concrete
Shenxian Shanshui Cement Co., Ltd. 莘縣山水水泥有限公司	Shandong, PRC 22 October 2010	RMB10,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Shandong Shanshui Building Materials Co., Ltd. 山東山水建築材料有限公司	Shandong, PRC 2 March 2011	RMB300,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of building materials and related products
Huixian City Shanshui Cement Co., Ltd. 輝縣市山水水泥有限公司	Henan, PRC 30 June 2011	RMB100,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of clinker
Shandong Runshengyuan Shanquan Water Co., Ltd. 山東潤生源山泉水有限公司	Shandong, PRC 24 April 2018	Registered capital of RMB5,000,000 and paid-in capital RMB4,500,000	90.00	90.00	–	–	90.00	90.00	Production and sales of drinking water
Weifang City Leixin Concrete Co., Ltd. 濰坊市磊鑫混凝土有限公司	Shandong, PRC 16 August 2011	RMB25,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of concrete
Zhoukou Shanshui Pipeline Co., Ltd. 周口山水管道有限公司	Henan, PRC 22 August 2011	RMB30,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement-related products

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

41. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2025	2024	2025	2024	2025	2024	
(e) Domestic companies established in the PRC (continued)									
Dongming Shanshui Cement Co., Ltd. 東明山水水泥有限公司	Shandong, PRC 20 March 2012	RMB35,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement
Jiaxiang Shanshui Aggregate Co., Ltd. 嘉祥山水骨料有限公司	Shandong, PRC 10 October 2012	RMB10,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of aggregate
Shandong Shanshui Cement Group International Trading Co., Ltd. 山東山水水泥集團國際貿易有限責任公司	Shandong, PRC 5 March 2013	RMB10,000,000	100.00	100.00	-	-	100.00	100.00	Sales, import and export and trade consultation of cement product and equipment
Feicheng Shanshui Concrete Co., Ltd. 肥城山水商砼有限公司	Shandong, PRC 5 September 2013	Registered capital of RMB30,000,000 and paid-in capital RMB10,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of concrete
Qingdao Ji'an Concrete Co., Ltd. 青島基安混凝土有限公司	Shandong, PRC 29 January 2010	RMB23,200,000	100.00	100.00	-	-	100.00	100.00	Production and sales of concrete
Heze Fuyu New Building Materials Co., Ltd. 菏澤福餘新型建材有限公司	Shandong, PRC 12 March 2013	Registered capital of RMB26,000,000 and paid-in capital RMB15,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of concrete
Rushan Shanshui Cement Co., Ltd. 乳山山水水泥有限公司	Shandong, PRC 17 November 2005	RMB50,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement
Yantai Xinghao Shanshui Cement Co., Ltd. 煙台興昊山水水泥有限公司	Shandong, PRC 10 January 2005	RMB200,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement and clinker

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2025

41. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2025	2024	2025	2024	2025	2024	
(e) Domestic companies established in the PRC (continued)									
Shanshui Heavy Industries 山東山水重工有限公司	Shandong, PRC 12 March 2002	RMB171,000,000	99.99	99.99	–	–	99.99	99.99	Installation and repair of equipment, and production and sales of cement component parts
Huludao Bohai Railway Co., Ltd. 葫蘆島渤海鐵路股份有限公司	Liaoning, PRC 17 July 1993	RMB52,000,000	62.31	62.31	–	–	89.02	89.02	Development and maintenance of special railway-lines, wash and repair of steam locomotive
Shanghe Shanshui Cement Co., Ltd 商河山水水泥有限公司	Shandong, PRC 14 January 2021	RMB200,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Tongliao Shanshui Gongyuan Cement Co., Ltd. 通遼山水工源水泥有限公司	Inner Mongolia, PRC 2 April 2004	RMB25,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Chaoyang Shanshui Dongxin Cement Co., Ltd. 朝陽山水東鑫水泥有限公司	Liaoning, PRC 22 March 2005	RMB200,000,000	80.00	80.00	–	–	80.00	80.00	Production and sales of cement and clinker
Bohai Cement 渤海水泥(葫蘆島)有限公司	Liaoning, PRC 29 August 2005	RMB100,000,000	70.00	70.00	–	–	70.00	70.00	Production and sales of cement, clinker and related products

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41. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2025	2024	2025	2024	2025	2024	
(e) Domestic companies established in the PRC (continued)									
Zhalaiti Qi Shanshui Cement Co., Ltd. 蒙賽特旗山水水泥有限公司	Inner Mongolia, PRC 17 January 2006	Registered capital of RMB120,000,000 and paid-in capital RMB65,000,000	90.00	90.00	-	-	90.00	90.00	Production and sales of cement and clinker
Yingkou Shanshui Cement Co., Ltd. 營口山水水泥有限公司	Liaoning, PRC 5 December 2006	RMB30,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement
Dalian Shanshui Cement Co., Ltd. 大連山水水泥有限公司	Liaoning, PRC 17 August 2007	RMB180,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement, clinker and related products
Benxi Shanshui Mining Co., Ltd. 本溪山水礦業有限公司	Liaoning, PRC 18 February 2009	RMB500,000	100.00	100.00	-	-	100.00	100.00	Mining and sales of limestone
Kazuo Congyuanhao Cement Co., Ltd. 喀左叢元號水泥有限責任公司	Liaoning, PRC 2 April 2009	RMB110,000,000	80.00	80.00	-	-	100.00	100.00	Production and sales of cement and clinker
Panjin Shanshui Cement Co., Ltd. 盤錦山水水泥有限公司	Liaoning, PRC 1 September 2009	RMB20,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement
Wulanhaote 烏蘭浩特山水水泥有限公司	Inner Mongolia, PRC 13 November 2009	RMB5,000,000	90.00	90.00	-	-	90.00	90.00	Production and sales of cement
Alu Ke'erqin Qi Shanshui Cement Co., Ltd. 阿魯科爾沁旗山水水泥有限公司	Inner Mongolia, PRC 23 December 2009	RMB76,470,000	85.00	85.00	-	-	85.00	85.00	Production and sales of cement and clinker

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41. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2025	2024	2025	2024	2025	2024	
(e) Domestic companies established in the PRC (continued)									
Balinyou Qi Shanshui Cement Co., Ltd. 巴林右旗山水水泥有限公司	Inner Mongolia, PRC 19 March 2010	RMB20,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Huolin Guole Shanshui Cement Co., Ltd. 霍林郭勒山水水泥有限公司	Inner Mongolia, PRC 19 April 2010	RMB20,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Bohai Cement (Jinzhou) Co., Ltd. ("Jinzhou Cement") 渤海水泥(錦州)有限公司 (note a)	Liaoning, PRC 5 July 2010	RMB20,000,000	–	45.50	–	–	–	65.00	Production and sales of cement
Keyouzhong Qi Shanshui Cement Co., Ltd. 科右中旗山水水泥有限公司	Inner Mongolia, PRC 7 April 2011	RMB30,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Benxi Shanshui Shiye Co., Ltd. 本溪山水實業有限公司	Liaoning, PRC 2 June 2011	Registered capital of RMB20,000,000 and paid-in capital RMB6,000,000	100.00	100.00	–	–	100.00	100.00	Installation and maintenance of equipment and spare parts of cement machines
Baishan Shanshui Cement Co., Ltd. 白山山水水泥有限責任公司	Jilin, PRC 11 November 2011	RMB100,000,000	70.00	70.00	–	–	70.00	70.00	Production and sales of cement and clinker
Aohan Qi Shanshui Cement Co., Ltd. 敖漢旗山水水泥有限公司	Inner Mongolia, PRC 4 January 2012	RMB16,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Dalian Heyuan Investment Management Co., Ltd. 大連合源投資管理有限公司	Liaoning, PRC 8 August 2013	RMB62,230,000	100.00	100.00	–	–	100.00	100.00	Project investment and management

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41. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2025	2024	2025	2024	2025	2024	
(e) Domestic companies established in the PRC (continued)									
Taiyuan Shanshui Cement Co., Ltd. 太原山水水泥有限公司	Shanxi, PRC 27 October 1999	Registered capital of RMB100,000,000 and paid-in capital RMB61,224,500	60.00	60.00	-	-	60.00	60.00	Production and sales of cement and clinker
Jincheng Shanshui Heju Cement Co., Ltd. 晉城山水合聚水泥有限公司	Shanxi, PRC 25 July 2006	RMB240,000,000	90.00	90.00	-	-	90.00	90.00	Production and sales of cement, clinker and concrete
Lvliang Shanshui Cement Co., Ltd. 呂梁山水水泥有限公司	Shanxi, PRC 16 November 2007	RMB170,000,000	90.00	90.00	-	-	90.00	90.00	Production and sales of cement and clinker
Yulin Shanshui Cement Co., Ltd. 榆林山水水泥有限公司	Shaanxi, PRC 7 August 2008	RMB60,000,000	62.00	62.00	-	-	62.00	62.00	Production and sales of cement
Hequ Zhongtianlong Cement Co., Ltd. 河曲縣中天隆水泥有限公司	Shanxi, PRC 31 August 2009	RMB80,000,000	68.00	68.00	-	-	68.00	68.00	Production and sales of cement and clinker
Wuxiang Shanshui Cement Co., Ltd. 武鄉山水水泥有限公司	Shanxi, PRC 4 November 2009	RMB75,490,000	55.00	55.00	-	-	55.00	55.00	Production and sales of cement and clinker
Jincheng Shanshui Cement Co., Ltd. 晉城山水水泥有限公司	Shanxi, PRC 22 January 2010	RMB150,000,000	85.00	85.00	-	-	85.00	85.00	Production and sales of cement and clinker
Yulin Shanshui Environmental Building Materials Co., Ltd. 榆林山水環保建材有限公司	Shaanxi, PRC 18 February 2011	RMB80,400,000	85.00	85.00	-	-	85.00	85.00	Production and sales of cement

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41. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2025	2024	2025	2024	2025	2024	
(e) Domestic companies established in the PRC (continued)									
Linfen Shanshui Cement Co., Ltd. 臨汾山水水泥有限公司	Shanxi, PRC 13 May 2011	RMB200,000,000	90.00	90.00	–	–	90.00	90.00	Production and sales of cement and clinker
Shuozhou Shanshui New Era Cement Co., Ltd. 朔州山水新時代水泥有限公司	Shanxi, PRC 10 June 2011	RMB160,000,000	75.00	75.00	–	–	75.00	75.00	Production and sales of cement, clinker and related products
Jingbian Xian Shanshui Cement Co., Ltd. 靖邊縣山水水泥有限公司	Shaanxi, PRC 15 November 2011	RMB30,000,000	80.00	80.00	–	–	80.00	80.00	Production and sales of cement
Shenmu Shanshui Cement Co., Ltd. 神木山水水泥有限公司	Shaanxi, PRC 4 April 1994	RMB60,000,000	70.00	70.00	–	–	70.00	70.00	Production and sales of cement
Linfen Shanshui Yongzhongsheng Cement Co., Ltd. 臨汾山水永中晟水泥有限公司	Shanxi, PRC 30 August 2012	RMB40,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement
Yangqu Xian Zhongyu Building Materials Co., Ltd. 陽曲縣中宇建材有限公司	Shanxi, PRC 7 November 2012	RMB1,000,000	60.00	60.00	–	–	100.00	100.00	Production and sales of aggregate
Taiyuan City Guangsha Cement Co., Ltd. 太原市廣廈水泥有限公司	Shanxi, PRC 29 December 2015	RMB200,000	60.00	60.00	–	–	100.00	100.00	Production and sales of aggregate

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41. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2025	2024	2025	2024	2025	2024	
(e) Domestic companies established in the PRC (continued)									
Shule Shanshui Cement Co. Ltd. 疏勒山水水泥有限公司	Xinjiang, PRC 24 August 2010	RMB50,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement
Yingjisha Shanshui Cement Co., Ltd. 英吉沙山水水泥有限公司	Xinjiang, PRC 24 August 2010	RMB232,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement, clinker and related products
Shache Shanshui Cement Co., Ltd. 莎車山水水泥有限公司	Xinjiang, PRC 14 October 2010	RMB50,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of cement
Kezhou Shanshui Materials Trading Co., Ltd. 克州山水物貿有限公司	Xinjiang, PRC 17 April 2013	RMB20,000,000	100.00	100.00	-	-	100.00	100.00	Sales of coal and product
Xinzhou Shanshui Environmental Protection Technology Materials Co., Ltd. 忻州山水環保科技材料有限公司	Shanxi, PRC 17 June 2021	Registered capital of RMB500,000,000 and paid-in capital RMB10,000,000	100.00	100.00	-	-	100.00	100.00	Production and sales of clinker

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41. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2025	2024	2025	2024	2025	2024	
(e) Domestic companies established in the PRC (continued)									
Pingyin Shanshui Building Materials Co., Ltd. 平陰山水建築材料有限公司	Shandong, PRC 21 October 2020	RMB127,679,264	98.97	98.97	–	–	100.00	100.00	Production and sales of concrete
Huludao Yangjiazhangzi Economic Development Zone Shanshui Building Materials Co., Ltd. 葫蘆島楊家杖子經濟開發區山水建材有限公司	Liaoning, PRC 27 December 2017	Registered capital of RMB1,000,000 and nil paid-in capital	70.00	70.00	–	–	100.00	100.00	Production and sales of limestone
Qingdao Shanshui New Building Materials Co., Ltd. 青島山水新型建築材料有限公司	Qingdao, PRC 23 February 2021	RMB30,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of cement and related products
Jinan Zhangqiu Shanshui Green Building Materials Co., Ltd. 濟南章丘山水綠色建築材料有限公司	Shandong, PRC 26 October 2023	RMB30,000,000	100.00	100.00	–	–	100.00	100.00	Production and sales of concrete
Qingdao Shanshui Building Materials Co., Ltd. 青島山水建築材料有限公司	Qingdao, PRC 23 August 2024	Registered capital of RMB55,000,000 and paid-in capital RMB30,637,404	100.00	100.00	–	–	100.00	100.00	Production and sales of concrete
Shandong Shanshui New Building Materials Co., Ltd. 山東山水新型建築材料有限公司	Shandong, PRC 22 December 2025	Registered capital of RMB111,400,000 and nil paid-in capital	99.00	–	–	–	100.00	100.00	Establishment of concrete production line

Notes:

- (a) In 2025, the shareholders' resolution for the liquidation of Jinzhou Cement was approved and the liquidation process was commenced. Accordingly, the directors of the Company considered the Group has lost control over Jinzhou Cement and derecognised the relevant assets and liabilities of Jinzhou Cement and the respective non-controlling interest.
- (b) The directors of the Company are of the opinion that none of its subsidiaries has non-controlling interests which are material to the Group.