SUNNSY

CHINA SHANSHUI CEMENT GROUP LIMITED
中國山水水泥集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 691)

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

SUMMARY

- Operating revenue for 2019 amounted to approximately RMB21,478,831,000 (2018: RMB17,872,818,000), representing an increase of 20.2% as compared to 2018;
- Operating profit for 2019 amounted to approximately RMB4,692,516,000 (2018: RMB3,779,350,000), representing an increase of 24.2% as compared to 2018;
- Profit attributable to equity shareholders of the Company for 2019 amounted to approximately RMB2,973,104,000 (2018: RMB2,196,657,000), representing an increase of 35.3% as compared to 2018;
- Basic earnings per share for 2019 was RMB0.68 (2018: RMB0.62).

The Board of Directors (the "**Board**") of China Shanshui Cement Group Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**"), together with the corresponding figures for the previous financial year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	4(a)	**21,478,831**	17,872,818
Cost of sales		**(14,207,109)**	(11,949,347)
Gross profit		**7,271,722**	5,923,471
Other income	5	**490,437**	557,697
Reversal of impairment/(impairment losses) on trade receivables, net		**15,225**	(25,902)
Reversal of impairment/(impairment losses) on other receivables, net		**2,569**	(17,766)
Selling and marketing expenses		**(672,945)**	(528,040)
Administrative expenses		**(1,500,670)**	(1,337,313)
Other net expenses	6	**(171,604)**	(107,062)
Expenses incurred during off-peak suspension		**(742,218)**	(685,735)
Profit from operations		**4,692,516**	3,779,350
Finance costs		**(509,770)**	(778,320)
Share of results of associates		**43,242**	45,957
Profit before taxation	7	**4,225,988**	3,046,987
Income tax expense	8	**(1,197,606)**	(878,140)
Profit for the year		**3,028,382**	2,168,847
Attributable to:			
Equity shareholders of the Company		**2,973,104**	2,196,657
Non-controlling interests		**55,278**	(27,810)
Profit for the year		**3,028,382**	2,168,847
Earnings per share	9		
Basic *(RMB)*		**0.68**	0.62
Diluted *(RMB)*		**0.68**	0.58

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 *RMB'000*	2018 *RMB'000*
Profit for the year	**3,028,382**	2,168,847
Other comprehensive income/(expenses) for the year		
Item that will not be reclassified to profit or loss:		
Remeasurements of net defined benefit obligations	**9,290**	(4,870)
Exchange differences arising on translation from functional currency to presentation currency	**(7,442)**	(233,241)
	1,848	(238,111)
Total comprehensive income for the year	**3,030,230**	1,930,736
Attributable to:		
Equity shareholders of the Company	**2,974,952**	1,958,546
Non-controlling interests	**55,278**	(27,810)
Total comprehensive income for the year	**3,030,230**	1,930,736

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Notes	31.12.2019 RMB'000	31.12.2018 RMB'000
NON-CURRENT ASSETS			
Fixed assets			
– Property, plant and equipment		**15,999,633**	15,922,070
– Land lease prepayments		**–**	2,208,691
Right-of-use assets		**2,331,767**	–
		18,331,400	18,130,761
Intangible assets		**930,613**	894,663
Goodwill		**90,132**	14,223
Other financial assets		**134,411**	73,391
Interests in associates		**312,342**	315,063
Deferred tax assets		**145,977**	159,649
Other long-term assets		**665,788**	626,907
		20,610,663	20,214,657
CURRENT ASSETS			
Inventories		**1,995,166**	1,458,828
Trade and bills receivables	11	**1,937,492**	2,126,724
Other receivables and prepayments		**690,966**	692,050
Derivative component of convertible bonds	16	**187,779**	246,204
Restricted bank deposits		**41,685**	30,307
Bank balances and cash		**1,364,054**	1,303,943
		6,217,142	5,858,056
CURRENT LIABILITIES			
Bank loans – amount due within one year	13	**2,814,920**	4,299,350
Other borrowings	14	**160,909**	281,159
Current portion of long-term bonds	15	**935,500**	1,338,000
Trade payables	12	**3,741,546**	3,240,134
Other payables and accrued expenses		**2,602,433**	3,042,205
Contract liabilities		**597,487**	644,759
Taxation payable		**311,745**	382,577
Lease liabilities		**17,196**	–
		11,181,736	13,228,184
NET CURRENT LIABILITIES		**(4,964,594)**	(7,370,128)
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,646,069**	12,844,529

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Notes	**31.12.2019** *RMB'000*	31.12.2018 *RMB'000*
NON-CURRENT LIABILITIES			
Bank loans – amount due after one year	13	**847,000**	–
Other borrowings	14	**331,818**	496,727
Long-term bonds	15	**436,000**	1,371,500
Long-term payables		**279,879**	280,487
Defined benefit obligations		**122,120**	136,640
Deferred income		**235,149**	248,303
Convertible bonds	16	**634,057**	633,100
Lease liabilities		**72,464**	–
Deferred tax liabilities		**87,143**	91,436
		3,045,630	3,258,193
NET ASSETS		**12,600,439**	9,586,336
CAPITAL AND RESERVES			
Share capital		**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		**3,966,492**	991,540
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**12,497,200**	9,522,248
Non-controlling interests		**103,239**	64,088
TOTAL EQUITY		**12,600,439**	9,586,336

1. GENERAL

The Company is a public limited company incorporated in the 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 dollars ("USD" or "US$"). However, the presentation currency of the consolidated financial statement is the RMB in order to present the operating results and financial position of the Group based on the economic environment in which the operating subsidiaries of the Group operate.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with IFRSs, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the IASB. 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.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by International Accounting Standard Board ("**IASB**") for the first time in the current year:

IFRS 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

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

3.1 IFRS 16 "Leases"

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 Leases ("**IAS 17**") and related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by apply IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. decided not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties and equipment in the PRC was determined on a portfolio basis; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised lease liabilities of RMB87,672,000 and right-of-use assets of RMB2,303,229,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.68%.

	At 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	98,807
Lease liabilities discounted at relevant incremental borrowing rates	88,022
Add: Lease liability resulting from lease modification of an existing lease *(note)*	180
Extension options reasonably certain to be exercised	268
Less: Recognition exemption – short-term leases	(798)
Lease liabilities relating to operating leases recognised upon application of IFRS16 as at 1 January 2019	87,672
Analysed as:	
Current	17,116
Non-current	70,556
	87,672

Note: The Group renewed the lease of an office by entering into a new lease contract which commence after date of initial application. This new contract is accounted for as lease modification of the existing contract upon application of IFRS 16.

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use assets *RMB'000*
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	87,672
Reclassified from land lease prepayments *(note)*	2,208,691
Reclassified from other receivables and prepayments	6,866
	2,303,229
By class:	
Land lease prepayments	2,294,852
Plants and buildings	8,377
	2,303,229

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 *RMB'000*	**Reclassifications** *RMB'000*	**Carrying amounts under IFRS 16 at 1 January 2019** *RMB'000*
Non-current assets			
Fixed assets			
– Land lease prepayment *(note)*	2,208,691	(2,208,691)	–
Right-of-use assets	–	2,303,229	2,303,229
Current assets			
Other receivables and prepayments	692,050	(6,866)	685,184
Current liabilities			
Lease liabilities	–	(17,116)	(17,116)
Non-current liabilities			
Lease liabilities	–	(70,556)	(70,556)

Note: Upfront payments for leasehold lands in the PRC were classified as land lease prepayments as at 31 December 2018. Upon application of IFRS 16, the non-current portion of prepaid lease payments amounting to RMB2,208,691,000 was reclassified to right-of-use assets.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venure[3]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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

4 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to IFRSs, a revised "Conceptual Framework for Financial Reporting" was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework" in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020. The directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

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

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

	2019	2018
	RMB'000	*RMB'000*
Sales of cement	**17,183,378**	13,111,390
Sales of clinker	**2,267,395**	2,676,076
Sales of concrete	**1,579,402**	1,313,315
Sales of other products	**448,656**	772,037
	21,478,831	17,872,818

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 4(b).

(b) Segment reporting

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

The Group manages its businesses by geographical areas. Based on the manner in which information is reported internally to the executive directors of the Company, being the Group's chief operating decision maker ("**CODM**"), for the purposes of resource allocation and performance assessment, the Group has identified 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.
- Northeastern China – subsidiaries operating and located in the Liaoning Province and Inner – Mongolia Autonomous Region of the PRC.
- Shanxi Province – subsidiaries operating and located in the Shanxi Province and Shaanxi Province of the PRC.
- Xinjiang Region – subsidiaries operating and located in the Kashi area of Xinjiang Uygur Autonomous Region of the PRC.

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

(i) Segment results, assets and liabilities

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

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

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

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

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

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 2019 and 2018 is set out below.

	2019					2018				
	Shandong Province	**Northeastern China**	**Shanxi Province**	**Xinjiang Region**	**Total**	Shandong Province	Northeastern China	Shanxi Province	Xinjiang Region	Total
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue										
Point in time	**14,477,199**	**3,866,436**	**2,449,938**	**678,067**	**21,471,640**	12,617,491	3,127,601	1,641,488	477,408	17,863,988
Over time	**5,600**	**304**	**1,287**	**–**	**7,191**	6,518	783	1,529	–	8,830
Revenue from external customers	**14,482,799**	**3,866,740**	**2,451,225**	**678,067**	**21,478,831**	12,624,009	3,128,384	1,643,017	477,408	17,872,818
Inter-segment revenue	**295,514**	**337,726**	**83,514**	**–**	**716,754**	46,438	47,476	67,070	8	160,992
Reportable segment revenue	**14,778,313**	**4,204,466**	**2,534,739**	**678,067**	**22,195,585**	12,670,447	3,175,860	1,710,087	477,416	18,033,810
Reportable segment profit (adjusted profit before taxation)	**3,822,925**	**426,954**	**443,659**	**234,624**	**4,928,162**	3,415,361	2,495	217,609	154,692	3,790,157
Included in arriving at segment results are:										
Interest income	**5,698**	**595**	**76**	**463**	**6,832**	15,707	5,681	262	99	21,749
Interest expense	**35,000**	**24,630**	**205**	**4,232**	**64,067**	27,881	27,212	18	7,382	62,493
Depreciation and amortisation for the year	**661,141**	**514,107**	**310,195**	**52,986**	**1,538,429**	585,813	441,015	326,294	52,322	1,405,444
Impairment loss on property, plant and equipment	**2,060**	**–**	**8,938**	**–**	**10,998**	222,465	432	7,414	–	230,311
Impairment loss (reversal of impairment) on trade receivables, net	**(15,681)**	**(1,855)**	**–**	**2,311**	**(15,225)**	11,151	25,087	(5,184)	1,673	32,727
Impairment loss (reversal of impairment) on other receivables, net	**41,112**	**(4,333)**	**3,321**	**–**	**40,100**	1,083	(34,326)	–	11	(33,232)
Additions to fixed assets, right-of-use assets and intangible assets during the year	**1,257,230**	**167,143**	**221,343**	**113,758**	**1,759,474**	710,916	114,243	215,095	32,292	1,072,546
Reportable segment assets	**11,686,712**	**8,099,543**	**5,289,518**	**970,449**	**26,046,222**	10,536,958	8,129,952	5,336,846	1,095,822	25,099,578
Reportable segment liabilities	**3,238,381**	**2,555,895**	**1,262,960**	**140,792**	**7,198,028**	2,957,600	3,175,331	1,283,362	498,689	7,914,982

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

	2019	2018
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**22,195,585**	18,033,810
Elimination of inter-segment revenue	**(716,754)**	(160,992)
Consolidated revenue	**21,478,831**	17,872,818
Profit		
Reportable segment profit	**4,928,162**	3,790,157
Elimination of inter-segment profit	**(180,085)**	(69,720)
Reportable segment profit derived from Group's external customers	**4,748,077**	3,720,437
Share of results of associates	**43,242**	45,957
Waiver of interest expenses	**153,486**	259,743
(Loss)/gain on fair value changes of financial assets at FVTPL	**(3,796)**	9,595
(Loss)/gain on fair value changes of derivative component of convertible bonds	**(60,714)**	236,190
Waiver of short-term financing bills and medium-term note principal	**–**	4,390
Loss on extinguishment of convertible bonds	**–**	(149,297)
Unallocated finance costs	**(461,471)**	(726,809)
Unallocated head office administrative expenses	**(192,836)**	(353,219)
Consolidated profit before taxation	**4,225,988**	3,046,987

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

	2019	2018
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**26,046,222**	25,099,578
Elimination of inter-segment profit	**(1,801)**	(697)
Elimination of inter-segment receivables	**(783,371)**	(703,711)
	25,261,050	24,395,170
Deferred tax assets	**145,977**	159,649
Interests in associates	**312,342**	315,063
Derivative component of convertible bonds	**187,779**	246,204
Unallocated head office assets	**920,657**	956,627
Consolidated total assets	**26,827,805**	26,072,713
Liabilities		
Reportable segment liabilities	**7,198,028**	7,914,982
Elimination of inter-segment payables	**(783,371)**	(703,711)
	6,414,657	7,211,271
Deferred tax liabilities	**87,143**	91,436
Unallocated bank loans	**3,013,750**	3,372,750
Unallocated other borrowings	**496,727**	774,250
Unallocated long-term bonds	**1,371,500**	2,709,500
Convertible bonds	**634,055**	633,100
Unallocated head office liabilities	**2,209,534**	1,694,070
Consolidated total liabilities	**14,227,366**	16,486,377

(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.

5. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Interest income	**16,429**	25,012
Government grants *(note)*	**268,826**	226,998
Amortisation of deferred income	**13,154**	18,504
Waiver of interest expenses	**153,486**	259,743
Waiver of short-term financing bills and medium-term note principal	**–**	4,390
Others	**38,542**	23,050
	490,437	557,697

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

6. OTHER NET EXPENSES

	2019	2018
	RMB'000	*RMB'000*
Net foreign exchange gain	**6,497**	452
Net (loss)/gain from disposal of property, plant and equipment	**(21,811)**	4,102
(Loss)/gain on fair value changes of financial assets at FVTPL	**(3,796)**	9,595
(Loss)/gain on fair value changes of derivative component of convertible bonds	**(60,714)**	236,190
Impairment losses on property, plant and equipment	**(10,998)**	(230,311)
Impairment losses on goodwill	**(6,040)**	–
Penalties	**(66,796)**	(10,794)
Donations	**(17,150)**	(9,998)
Bad debt recovery	**24,934**	56,733
Loss from write-off of intangible assets	**–**	(1,826)
Loss on extinguishment of convertible bonds	**–**	(149,297)
Others	**(15,730)**	(11,908)
	(171,604)	(107,062)

7. PROFIT BEFORE TAXATION

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

(a) Finance costs

	Notes	**2019** **RMB'000**	2018 *RMB'000*
Interest on bank loans		**227,629**	265,908
Interest on other borrowings and long-term bonds		**154,538**	359,030
Interest on lease liabilities		**4,105**	-
Effective interest expense on convertible bonds		**75,626**	108,302
Less: capitalised interest expenses	(i)	**(221)**	(141)
Net interest expenses		**461,677**	733,099
Bank charges		**31,294**	29,068
Unwinding of discount	(ii)	**16,799**	16,153
		509,770	778,320

Notes:

(i) The capitalisation rates used to determine the amount of borrowing interests eligible for capitalisation related to construction of fixed assets are 4.90% (2018: 4.58%) per annum for the year ended 31 December 2019.

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

	2019 **RMB'000**	2018 *RMB'000*
Defined employee benefit plan	**4,270**	5,240
Long-term payables	**12,529**	10,913
	16,799	16,153

(b) Personnel expenses

	2019 *RMB'000*	2018 *RMB'000*
Salaries, wages and other benefits	**1,400,779**	1,227,464
Bonus and awards	**384,316**	294,818
Staff's pension costs	**222,652**	203,836
Expense recognised in respect of defined benefit plan	**5,030**	5,990
	2,012,777	1,732,108

(c) Other items

	2019 *RMB'000*	2018 *RMB'000*
Amortisation		
– land lease prepayments *(note)*	**–**	59,473
– intangible assets	**193,538**	106,378
	193,538	165,851
Depreciation		
– property, plant and equipment	**1,283,050**	1,247,540
– right-of-use assets *(note)*	**69,627**	–
	1,352,677	1,247,540
Operating lease charges	**–**	23,578
Auditors' remuneration		
– audit services	**6,300**	6,000
– other services	**980**	1,270
	7,280	7,270
Cost of inventories sold	**14,207,209**	11,948,294
(Reversal of impairment)/impairment losses on inventories (included in cost of sales)	**(100)**	1,053

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The depreciated carrying amount of the land lease payment which were previously included in fixed assets is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising amortisation expenses incurred on a straight-line basis over the respective period of the rights. Under this approach, the comparative information is not restated.

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

Taxation in the consolidated statement of profit or loss:

	2019	2018
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax	**1,178,875**	905,717
Under/(over) provision in respect of prior years	**9,352**	(16,085)
Deferred tax		
Origination and reversal of temporary differences	**9,379**	(11,492)
	1,197,606	878,140

Notes:

(i) The Group's PRC subsidiaries are subject to PRC income tax at the statutory rate of 25% (2018: 25%) unless otherwise specified.

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

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

The Company and its subsidiaries incorporated in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (2018: 16.5%). No provision for Hong Kong Profits Tax has been made as the Company and the subsidiaries incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax during the year ended 31 December 2019 (2018: nil).

9. EARNINGS PER SHARE

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

Earnings figures are calculated as follows:	**2019** ***RMB'000***	2018 *RMB'000*
Profit for the year attributable to owners of the Company and earnings for the purposes of basic earnings per share	**2,973,104**	2,196,657
Effect of dilutive potential ordinary shares		
Effective interest expense on convertible bonds	**–**	23,868
Gain on fair value changes of derivative component of convertible bonds	**–**	(149,340)
Earnings for the purpose of diluted earnings per share	**2,973,104**	2,071,185
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**4,353,966,228**	3,547,397,876
Effect of dilutive potential ordinary shares on convertible bonds	**–**	30,322,103
Weighted average number of ordinary shares for the purpose of diluted earnings per shares	**4,353,966,228**	3,577,719,979

10. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2019 (2018: nil).

11. TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Bills receivables	**856,218**	1,144,877
Trade receivables	**1,345,582**	1,261,380
Less: allowance for credit losses	**(264,308)**	(279,533)
	1,937,492	2,126,724

(a) Ageing analysis

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

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**865,036**	816,824
3 to 6 months	**522,951**	514,055
6 to 12 months	**279,496**	414,501
Over 12 months	**270,009**	381,344
	1,937,492	2,126,724

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

12. TRADE PAYABLES

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**2,145,100**	1,800,360
3 to 6 months	**530,975**	479,353
6 to 12 months	**380,924**	203,713
Over 12 months	**684,547**	756,708
	3,741,546	3,240,134

As at 31 December 2019 and 2018, all trade payables of the Group are repayable on demand. All trade payables are expected to be settled within one year.

13. BANK LOANS

	2019	2018
	RMB'000	*RMB'000*
Bank loans – Secured (*)	**150,950**	216,150
Bank loans – Unsecured	**3,510,970**	4,083,200
	3,661,920	4,299,350

* These bank loans were pledged by certain land lease prepayments with an aggregate carrying amount of RMB4,178,000 (2018: RMB4,318,000) and plants and buildings with an aggregate carrying amount of RMB8,223,000 (2018: RMB8,747,000).

As at 31 December 2018, an unsecured bank loan of approximately RMB80,000,000 was overdue and carried an interest rate of 10.14% per annum. Accordingly, bank loans amounting to approximately RMB3,513,150,000 and RMB786,200,000 due for repayment in 2019 and after 2019 respectively, which contain a cross default clause that demands immediate repayment when there is default in any bank loans repayment had become repayable on demand and hence are classified as current liabilities as at 31 December 2018.

During the year ended 31 December 2019, the overdue unsecured bank loan of RMB80,000,000 was repaid. As at 31 December 2019, there is no default in bank loans repayment and accordingly, bank loans amounting to RMB2,814,920,000 and RMB847,000,000, which are due for repayment within one year and after one year respectively, based on the extended repayment terms set out on the borrowing agreements, are classified as current and non-current liabilities, respectively as at 31 December 2019.

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

	2019	2018
	RMB'000	*RMB'000*
Within one year	**2,814,920**	3,513,150
After one year but within two years	**847,000**	686,200
After two years but within five years	**–**	100,000
	847,000	786,200
	3,661,920	4,299,350

14. OTHER BORROWINGS

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

		2019	2018
	Notes	***RMB'000***	*RMB'000*
Loan from government – unsecured	(i)	**2,727**	3,636
Short-term financing bills	(ii)	**490,000**	774,250
		492,727	777,886

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

	2019	2018
	RMB'000	*RMB'000*
Within one year or on demand	**160,909**	281,159
After one year but within two years	**330,909**	164,909
After two years but within five years	**909**	331,818
	331,818	496,727
	492,727	777,886

Notes:

(i) The government loan was received by Liaoning Shanshui Gongyuan Cement Co., Ltd. for constructing an environmental friendly production line. The loan is unsecured, bears interest at one-year PRC deposit interest rate plus 0.3% (2018: one-year PRC deposit interest rate plus 0.3%) and is repayable in equal instalments from 2012 to 2021.

(ii) All of the short-term financing bills are issued by Shandong Shanshui Cement Group Company Limited ("**Shandong Shanshui**") and in the PRC inter-bank market. As at 31 December 2019, the details of short-term financing bills were listed below:

Issuer	Outstanding principal *(RMB'000)*	Issue date	Maturity date	Original interest rates *(per annum)*	Original interest payment term	Interest rates after restructuring plans *(per annum)*
Shandong Shanshui	190,000 (2018: 400,450)	14/04/2015	22/11/2015	5.3%	settle at the maturity date	4.15%–7.67% (2018: 0%–7.67%)
Shandong Shanshui	300,000 (2018: 373,800)	14/05/2015	12/02/2016	4.5%	settle at the maturity date	3.96%–6.49% (2018: 0%–7.67%)

As at 31 December 2018, all of the outstanding short-term financing bills issued by Shandong Shanshui are overdue. The Group negotiated with the holders of the short-term financing bills for extension of repayment of principal of the short-term financing bills and successfully reached agreements with all holders of short-term financing bills to restructure the repayment terms as at 31 December 2018.

As at 31 December 2019, the outstanding short-term financing bills of RMB160,000,000 and RMB330,000,000 are repayable in 2020 and after 2020 respectively (2018: RMB280,250,000 and RMB494,000,000 are repayable in 2019 and after 2019 respectively) according to the revised repayment schedule, of which short-term financing bills with principal of RMB nil (2018: RMB98,250,000) is interest-free and short-term financing bills with principal of RMB490,000,000 (2018: RMB676,000,000) carry interest rate at 3.96% – 7.67% per annum (2018: 4.50% – 7.67% per annum).

Besides, under the restructuring plans, the PRC banks and financial institutions have agreed to waive portion of principal of short-term financing bills and portion of interest and penalty interest accrued on the principal amounts up to the date of the restructuring plan to the short term financing bills on the condition that the Group repays the outstanding liabilities according to the revised repayment schedule. The waived principal and interest related to short-term financing bills of RMB nil (2018: RMB2,390,000) and RMB38,131,000 (2018: RMB154,406,000), respectively has been recognised as other income in profit or loss during the year ended 31 December 2019.

Certain assets of the Group have been frozen by the PRC Courts in respect of the litigations relating to other borrowings, long-term bonds and certain sales or purchase contracts. As at 31 December 2019, cash and cash equivalents of RMB12,150,000 (2018: RMB13,814,000), investments in subsidiaries of RMB5,332,283,000 (2018: RMB5,664,792,000), right-of-use assets with underlying assets of land lease prepayments of RMB28,926,000 (2018: land lease prepayment of RMB35,578,000) and fixed assets of RMB77,766,000 (2018: RMB82,229,000) have been frozen by the PRC Courts.

15. LONG-TERM BONDS

	2019 *RMB'000*	2018 *RMB'000*
Medium-term notes and other notes	**1,371,500**	2,709,500
Less: Current portion of medium-term notes and other notes	**(935,500)**	(1,338,000)
Long-term bonds, less current portion	**436,000**	1,371,500

All of the long-term bonds are carried at amortised cost. The details of long-term bonds are listed below:

Issuer	**Outstanding principal** *(RMB'000)*	**Issue date**	**Maturity date**	**Original interest rates** *(per annum)*	**Original interest payment term**	**Interest rates after restructuring plans** *(per annum)*
Medium-term notes issued in the PRC inter-bank market						
Shandong Shanshui	RMB784,000 (2018: RMB1,138,000)	18/01/2013	21/01/2016	5.44%	annually	0%–5.44% (2018: 0%–7.67%)
Shandong Shanshui	RMB502,500 (2018: RMB846,500)	27/02/2014	27/02/2017	6.10%	annually	0%–6.10% (2018: 0%–7.67%)
Shandong Shanshui	RMB85,000 (2018: RMB725,000)	09/05/2014	12/05/2017	6.20%	annually	0%–6.20% (2018: 0%–7.67%)

As at 31 December 2018, all of the medium-term notes issued by Shandong Shanshui are overdue. The Group has negotiated with the holders of medium-term notes for extension of repayment of principal of the long-term bonds and successfully reached agreements with all holders of medium-term notes to restructure the repayment terms as at 31 December 2018.

As at 31 December 2019, the outstanding medium-term notes of RMB935,500,000 and RMB436,000,000 are repayable in 2020 and after 2020 respectively (2018: RMB1,338,000,000 and RMB1,371,500,000 are repayable in 2019 and after 2019 respectively) according to the revised repayment schedule, of which medium-term notes with principal of RMB107,500,000 (2018: RMB200,000,000) is interest free and medium-term notes with principal of RMB1,264,000,000 (2018: RMB2,509,500,000) carry interest at 5.44%–6.20% per annum (2018: 5.44%–7.67%).

Besides, under the restructuring plans, the PRC banks and financial institutions have agreed to waive portion of the interest and penalty interest accrued on the principal amounts up to date of the restructuring plan to the medium-term note on the condition that the Group repays the outstanding liabilities according to the revised repayment schedule. The waived interest related to medium-term notes of RMB115,355,000 (2018: RMB105,337,000) has been recognised as other income in profit or loss during the year ended 31 December 2019.

Certain assets of the Group have been frozen by the PRC Court in respect of the litigation of the medium-term notes (see note 14).

16. CONVERTIBLE BONDS

On 6 August 2018 and 30 August 2018, the Company and independent subscribers ("**CB Subscribers**") entered into agreements (the "**CB Agreements**"), pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the convertible bonds in the aggregate principal amounts of US$210,900,000 and US$320,700,000 (equivalent to RMB1,444,665,000 and RMB2,196,795,000). The CB Agreements were completed on 8 August 2018 and 3 September 2018 (the "**Issue Dates**"). The initial conversion price is HK$6.29 per share.

The CB, shall upon their issuance, constitute a direct, unconditional, unsecured and unsubordinated obligation of the Company and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes and certain other statutory exceptions) with all other unsecured and unsubordinated obligations of the Company.

The CB holder has the right to convert the principal amount of the CB into fully-paid ordinary shares of the Company at any time during the period commencing upon (i) the grant of approval for the listing of and permission to deal in the conversion shares by the Listing Committee of the Stock Exchange, with such approval being unconditional or subject to conditions to which neither the CB issuer and CB Subscribers shall reasonably object; or (ii) the cancellation of listing; and ending on and including, the date falling on the seven business days prior to the Maturity Date of the CB.

Unless previously redeemed, converted or purchased and cancelled, the CB Holders shall have the right, to be exercised in its sole discretion, to require the Company to redeem all of the outstanding principal amount of the CB that it holds at the early redemption amount (which equals 110% of the outstanding principal amount of the CB) plus accrued interest in respect of the outstanding principal amount of the CB upon the occurrence of a triggering event (the change of control of the Company as defined under the Takeover Code or material change of the use of proceed).

The Company has the right to convert the outstanding principal amount of the CB into fully-paid ordinary shares of the Company at any time during the period commencing from 19th month following the issue date and up to inclusive of 7 business days prior to the maturity date of 7 August 2021 and 2 September 2021 upon (i) the grant of approval for the listing of and permission to deal in the Conversion Shares by the Listing Committee of the Stock Exchange, with such approval being unconditional or subject to conditions to which neither the Company nor Subscriber shall reasonably object; or (ii) the cancellation of listing. In the event that the Company elects to exercise the conversion right, it shall pay to each Holder an amount equal to the interest that would have accrued on the CB of the Holder from the date on which the Company elects to exercise the conversion right (the "**Company Conversion Date**") to the next anniversary date after the Company Conversion Date.

Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem the whole of the outstanding CB on the maturity date at an amount equal to 100% of the outstanding principal amount of the CB plus accrued interest in respect of the outstanding principal amount of the CB by delivering a notice to each CB holder.

The CB contains two components, debt component and derivatives (including conversion and early redemption options) component. The effective interest rate of the debt component is 13%. The derivative components are financial assets or financial liabilities because the early redemption option is non-closely related to the economic characteristics and risk of the host. Hence, the conversion option is not an equity component. These derivatives are measured at fair value with changes in fair value subsequent to the initial recognition recognised in profit or loss.

On 6 October 2018, the Company entered into deed of amendments with the CB Subscribers to amend the terms of CB to allow for early conversion of certain CB at the option of the issuer, during the period commencing on (and including) the date on which the listing of the shares issued upon early conversion has been approved by the Stock Exchange and the issuance of the early conversion shares has been approved by the Shareholders of the Company. US$456,600,000 in principal amount out of the total outstanding principal amount of the CB of US$531,600,000 was converted into fully paid ordinary shares on 30 October 2018. Upon the conversion of the CB, the outstanding principal amount of the CB is USD75,000,000 as at 31 December 2019 and 2018.

The movement of the components of the convertible bonds for the years ended 31 December 2019 and 2018 is set out below:

	Debt component *RMB$'000*	Derivative component *RMB$'000*	Total *RMB$'000*
Issuance of the convertible bond	4,290,471	(649,011)	3,641,460
Interest charge	108,302	–	108,302
Derecognition of original financial liability upon modification of terms	(3,816,821)	655,100	(3,161,721)
Fair value change	–	(236,190)	(236,190)
Exchange realignment	51,148	(16,103)	35,045
At 31 December 2018	633,100	(246,204)	386,896
Interest charge	75,625	–	75,625
Interest paid	(82,324)	–	(82,324)
Fair value change	–	60,714	60,714
Exchange realignment	7,656	(2,289)	5,367
At 31 December 2019	**634,057**	**(187,779)**	**446,278**

The debt component of convertible bonds is classified as non-current liabilities while the derivative component is classified as current assets in the consolidated financial statements as at 31 December 2018 and 2019.

The fair value of the derivative component as at 31 December 2019 has been arrived at on the basis of a valuation carried out by an independent qualified professional valuer not connected to the Group.

17. CONTINGENT LIABILITIES AND OTHER EVENTS

(a) Guarantee issued

(i) On 14 December 2016, the Company entered into a guarantee in favor of Bank of China Pingdingshan Branch as a security for the provision of the loan facility of RMB400,000,000 to Tianrui Group Company Limited ("**Tianrui Group**"). The bank loan was fully repaid by Tianrui Group during the Reporting Period and accordingly, the guarantee was released in 2019.

(ii) Two indirectly-held subsidiaries of the Company have provided guarantees on behalf of Shanshui Heavy Industries, a subsidiary of the Company, for its bank loan with the principal of RMB300,000,000. The bank loan of Shanshui Heavy Industries bears an interest rate quoted by the People's Bank of China and is repayable within five years from 2015. The guarantees will expire two years after the agreed repayment date.

The bank loan has been fully repaid during the Reporting Period and accordingly, the guarantee was released in 2019.

(b) Litigation contingencies

As at 31 December 2019, several litigation claims were initiated by the customers against the Group to demand immediate repayment of the outstanding balance in relation to certain cement and other products sales contracts with an aggregate amount of approximately RMB14,043,000 (2018: RMB10,097,000) which have yet been concluded. No provision for these litigation claims was made in the consolidated financial statements for the year ended 31 December 2019 as in the opinion of the directors of the Company, the possibility of an outflow of economic resources is remote.

Other than the disclosure of above, as at 31 December 2019, the Group was not involved in any other material litigation or arbitration. As far as the Group was aware, the Group had no other material litigation or claim which was pending or threatened against the Group. As at 31 December 2019, the Group was the defendant of certain non-material litigations, and also 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 contingent liabilities, 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 litigations will not have any material impact on the financial position of the Group.

(c) Winding up petitions

The Group is facing a number of legal actions regarding a winding-up petition filed by one of the shareholders of the Company. The Company has appointed legal counsel to represent it to oppose the winding up petitions in the Cayman Islands and in Hong Kong (the "**Petitions**"). The Cayman Islands Petition was struck out by an order of the Grand Court of the Cayman Islands (the "**Grand Court**") dated 19 October 2018 (the "**Strike-out Order**") and the Hong Kong Petition was withdrawn by the petitioner as a result of the Strike-out Order. The Court of Appeal of the Cayman Islands (the "**Court of Appeal**") on 16 January 2019 allowed an appeal against the Strike-out Order, and as a result the Cayman Islands Petition was reinstated and returned to the Grand Court. The Company's legal counsel filed an application on 21 February 2019 for leave to appeal to the Privy Council of the United Kingdom (the "**Privy Council**") to set aside the Court of Appeal's decision (the "**Application**"). The Court of Appeal declined to grant the Application after a hearing on 16 April 2019. On 29 March 2019 (Cayman Islands time), the Company applied to the Grand Court for, among others, a validation order (the "**VO Application**") to validate, among others, the transfer of shares held by requesting shareholders to HKSCC Nominees Limited, the common nominee for shares deposited with the Stock Exchange's Central Clearing and Settlement System. On 12 September 2019, the Cayman Court granted the VO Application and ordered the validation of any transfer of shares to HKSCC Nominee Limited by the Company's shareholders and that any such transfer shall not be avoided in the event of any order for the winding-up of the Company (the "**Share Transfer Order**"). On the same day that the judgment was handed down, the Grand Court also granted to the petitioner the leave to appeal the Grand Court's judgment to the Court of Appeal. On 18 February 2020 (Cayman Islands time), the Court of Appeal allowed this appeal and reversed the Share Transfer Order. The directors of the Company do not believe there is any reasonable basis for the Cayman Islands Petition. The Company and its legal counsel are considering all available options.

18. EVENT AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date of approval of the consolidated financial statements, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

DISCUSSION ON THE RESULTS AND FINANCIAL POSITIONS OF THE COMPANY

MANAGEMENT DISCUSSION AND ANALYSIS

Operating environment and industry overview

In 2019, faced with the complicated and ever-changing environment at home and abroad, the Chinese government upheld the general principle of seeking progress while maintaining stability, continued to pursue the new development philosophy and high-quality development, kept supply-side structural reform as its main task, deepened reforms and opening up, and took further steps to ensure stable employment, stable financial sector, stable foreign trade, stable foreign investment, stable domestic investment, and stable expectations, and launched a series of measures to steady growth and ensure the stable operation of the economy, leading to a medium-to-high speed of national economic growth.

In 2019, China's GDP was RMB99,086.5 billion, representing a year on year ("**YOY**") increase of 6.1%. Nationwide investment in real estate development was RMB13,219.4 billion, representing a YOY growth of 9.9%, up 0.4 percentage point from the previous year. The total investment in fixed assets (excluding rural households) across the country was RMB55,147.8 billion, representing a YOY increase of 5.4%, down by 0.5 percentage point from the previous year. The added value of industrial enterprises above designated size effectively increased by 5.7% YOY, down by 0.5 percentage point as compared with that of the previous year. Industrial production continued to develop, and high-tech manufacturing and strategic emerging industries grew rapidly. ***(Source: National Bureau of Statistics of China)***

In 2019, supported by the steady growth of infrastructure investment, strong real estate investment, and strong resilience of newly started construction areas, cement demand was steady and improving, and cement output has maintained a good YOY growth level. The national accumulated cement output was 2.33 billion tonnes in 2019, representing a YOY increase of 6.1%, the first rapid increase since the peak period of cement output; the national accumulated clinker output recorded a new high with 1.523 billion tonnes, representing a YOY increase of 6.77%. The cement industry's profits made another good performance. The national accumulated main cement business revenue was RMB1,010 billion, representing a YOY increase of 12.5%. The total profit exceeded RMB180 billion for the first time, reaching RMB186.7 billion, representing a YOY increase of 19.6%, and the industry's efficiency once again reached a new level. ***(Source: Digital Cement)***

Company's business review

In 2019, the Group was committed to refining our fundamental internal management to enhance the quality of existing manufacturing operations and the sustainability of profits.

As at 31 December 2019, the Group had a total production capacity of 100.38 million tonnes of cement, 51.07 million tonnes of clinker and 19.30 million cubic meters of concrete.

During the Reporting Period, the Group's total sales of cement and clinker were 55.751 million tonnes, representing a YOY increase of 13.5%; sales volume of concrete was 3.204 million cubic meters, representing a YOY increase of 11.2%; revenue was RMB21,478,831,000, representing a YOY increase of 20.2%; and the profit for the year was RMB3,028,382,000, representing a YOY increase of 39.6%.

REVENUE

The table below shows the sales breakdown by region during the Reporting Period:

Region	**2019** Sales revenue *RMB'000*	Sales proportion	2018 Sales revenue *RMB'000*	Sales proportion	Change of sales revenue
Shandong Region	**14,482,799**	**67.4%**	12,624,009	70.6%	14.7%
Northeast China Region	**3,866,740**	**18.0%**	3,128,384	17.5%	23.6%
Shanxi Region	**2,451,225**	**11.4%**	1,643,017	9.2%	49.2%
Xinjiang Region	**678,067**	**3.2%**	477,408	2.7%	42.0%
Total	**21,478,831**	**100.0%**	17,872,818	100.0%	20.2%

During the Reporting Period, the Group's revenue amounted to RMB21,478,831,000, representing an increase of RMB3,606,013,000 or 20.2% over RMB17,872,818,000 as compared with 2018. The increase in revenue was mainly attributable to the increase in average selling price and sales volume of the Group's products.

In respect of revenue contribution for 2019, sales of cement and clinker accounted for 90.6% (2018: 88.4%) and the sales of ready-mix concrete accounted for 7.4% (2018: 7.3%).

The table below shows the sales breakdown by product during the Reporting Period:

Product	**2019** Sales revenue *RMB'000*	Sales proportion	2018 Sales revenue *RMB'000*	Sales proportion	Sales revenue YOY change
Cement	**17,183,378**	**80.0%**	13,111,390	73.4%	31.0%
Clinker	**2,267,395**	**10.6%**	2,676,076	15.0%	(15.3%)
Concrete	**1,579,402**	**7.4%**	1,313,315	7.3%	20.3%
Others	**448,656**	**2.0%**	772,037	4.3%	(41.9%)
Total	**21,478,831**	**100%**	17,872,818	100.0%	20.2%

COST OF SALES AND GROSS PROFIT

The Group's cost of sales primarily includes cost of raw materials, fuel expenses (consisting of coal and electricity), depreciation and amortization and other overhead costs. During the Reporting Period, the Group's cost of sales was RMB14,207,109,000 (2018: RMB11,949,347,000). The increase in cost of sales was mainly due to the increase in cost of raw materials and prices of coal.

The gross profit for 2019 was RMB7,271,722,000 (2018: RMB5,923,471,000), representing a gross profit margin of 33.9% on revenue (2018: 33.1%). The increase in gross profit and slight increase in gross profit margin was mainly attributable to the net effect of increase in average selling price of cement products, cost of raw materials and cost of coal when compared with the previous year.

FINANCIAL REVIEW

Other income

Other income decreased from RMB557,697,000 to RMB490,437,000, mainly due to the decrease in the waiver of interest expense resulting from debt restructuring as compared with the previous year.

Other net expenses

Other net expenses increased from RMB107,062,000 to RMB171,604,000, mainly due to the recognition of a loss of RMB60,714,000 on fair value changes of derivative component of convertible bond for the year.

Selling and marketing expense, administrative expense and finance expense

A YOY increase of 27.4% from RMB528,040,000 to RMB672,945,000 was recorded in selling and marketing expenses, mainly due to the increase of transportation costs and sales service charges resulting from the increase of sales volume for the year.

A YOY increase of 12.2% from RMB1,337,313,000 to RMB1,500,670,000 was recorded in administrative expense, mainly due to wage inflation, the increased accrued bonuses as a result of growth in operating results for the year and the payments of litigation-related penalty and overdue interest.

A YOY decrease of 34.5% from RMB778,320,000 to RMB509,770,000 was recorded in finance expense, mainly due to lower interest expenses as compared with the previous year resulting from negotiation on debts and accelerated repayment of borrowings.

Taxation

A YOY increase of 36.4% from RMB878,140,000 to RMB1,197,606,000 was recorded in income tax expenses, mainly due to the substantial increase in profit for the year.

Profit for the year

The Group recorded a net profit for the year of RMB3,028,382,000, representing an increase of RMB859,535,000 over RMB2,168,847,000 as compared with 2018, mainly due to an increase in sales volume and average selling price of cement within the year.

FINANCIAL RESOURCES AND LIQUIDITY

As the Group's profit performance has continued to improve in recent years, and its borrowings have been repaid, its financial structure has continued to improve. As of 31 December 2019, the Group's current liabilities exceeded current assets by approximately RMB4,964,594,000, which was less than the excess of current liabilities over current assets as at 31 December 2018 of approximately RMB7,370,128,000; as at 31 December 2019, the total of the interest-bearing borrowings (including bank loans, other borrowings, long-term bonds and convertible bonds) was RMB6,160,204,000, of which RMB3,911,329,000 will be due within 12 months from the end of the Reporting Period. The directors of the Company have given careful consideration to the future liquidity, operating performance of the Group and its available sources of financing, and believe that the cash flow generated from operating activities and certain appropriate financing activities of the Group will be able to meet the funding needs of operations and repay the outstanding interest-bearing borrowings.

As at 31 December 2019, total assets increased by approximately 2.9% to approximately RMB26,827,805,000 (2018: approximately RMB26,072,713,000), while total equity increased by approximately 31.4% to approximately RMB12,600,439,000 (2018: approximately RMB9,586,336,000).

As at 31 December 2019, bank balances and cash of the Group was approximately RMB1,364,054,000 (2018: approximately RMB1,303,943,000).

As at 31 December 2019, net gearing ratio of the Group was approximately 27.6% (2018: 42.6%), each of which was calculated based on net liabilities and total equities as of 31 December 2019 and 31 December 2018. The decrease of gearing ratio was due to the continuous repayment of borrowings and the increase in shareholders' interest resulting from the increased revenue for the year.

Cash flow

The analysis on cash flow during the Reporting Period is set out below:

(Unit: RMB'000)

	2019	2018
Net cash generated from operating activities	**4,166,604**	2,180,478
Net cash used in investing activities	**(1,566,799)**	(849,094)
Net cash used in financing activities	**(2,554,185)**	(348,529)
Net change in cash and cash equivalents	**45,620**	982,855
Balance of cash and cash equivalents as at 1 January	**1,303,943**	307,995
Effect of foreign exchange rates change	**14,491**	13,093
Balance of cash and cash equivalents as at 31 December	**1,364,054**	1,303,943

Net cash generated from operating activities

During the Reporting Period, the Group recorded a net cash generated from operating activities of RMB4,166,604,000 representing a YOY increase of RMB1,986,126,000 mainly due to an increase in cash inflow from operating activities as a result of an increase in profit for the year.

Net cash used in investing activities

During the Reporting Period, the Group recorded a net cash used in investing activities of RMB1,566,799,000 representing a YOY increase of RMB717,705,000, mainly due to the increase in capital expenditures arising from the addition of fixed assets and upgrade of equipment and payment on equity interest for resumption of control on Xinghao Cement and Shanshui Heavy Industries for the year.

Net cash used in financing activities

During the Reporting Period, the Group recorded a net cash used in financing activities of RMB2,554,185,000 representing a YOY increase of RMB2,205,656,000 mainly due to the much lower net cash outflow in the previous year resulting from the issuance of convertible bonds.

Capital expenditures

During the Reporting Period, the capital expenditures invested were approximately RMB1,136,881,000, which were mainly invested in respect of cement and clinker production lines.

Outstanding capital commitments under production facility construction contracts and equipment purchase agreements not provided for in the financial statements as at 31 December 2019 were as follows:

(Unit: RMB'000)

	31 December 2019	31 December 2018
Authorised and contracted for		
– plant and equipment	**324,888**	321,051
Authorised but not contracted for		
– plant and equipment	**334,698**	79,660
Total	**659,586**	400,711

Pledge of assets

Details in relation to pledge of assets of the Group as at 31 December 2019 are set out in note 13.

Contingent liabilities

Details in relation to contingent liabilities of the Group as at 31 December 2019 are set out in note 17.

Human resources

As at 31 December 2019, the Group had a total of 18,598 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.

Material acquisition and disposal by subsidiaries and affiliated companies

During the Reporting Period, save for the recovery of control over Xinghao Cement Co., Ltd. in March 2019 and the acquisition of 55% equity interest of Shanshui Heavy Industries Co., Ltd. resulting in the recovery of control over it in September 2019, the Group had no material acquisition or disposal.

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.

The Group did not use any financial derivatives to hedge against any foreign exchange exposure.

OUTLOOK FOR 2020

The year 2020 will witness the completion of building China into a moderately prosperous society and implementing China's 13th Five-Year Plan. Regarding the situation, from a domestic perspective, China is in the tackling phase of transforming the development mode, optimizing the economic structure, and transforming the driving force for growth. Structural and cyclical issues are intertwined and economic downward pressure is increasing. However, the basic trend of stability and long-term improvement in economy has not changed. Under the main tone of steady economic growth, the overall forecast of the cement industry will continue to keep a stable trend.

In terms of industry: Although the problem of overcapacity in cement industry is still outstanding, the normalization of environmental protection policies such as energy saving and emission deduction and comprehensive mine regulation has also increased the operating costs of enterprises to some extent. However, the current implementation of off-peak production to promote supply-side structural reform has become an industry consensus. The business goals of cement industries are more rational, and the foundation of market self-discipline is gradually enhanced, which will be conducive to the continuous and stable development of the cement industry in 2020.

In terms of demand: The outbreak of COVID-19 was in the traditional slack season in northern market when the clinker enterprises are implementing off-peak production. Although it may have a delayed effect on the recovery of the market after March, the demand for cement will be postponed to release, thus having an insignificant influence on the overall demand from the perspective of the whole year. Infrastructure and real estate will still play a role in strongly supporting and stimulating the demand for cement. It's expected that the full-year demand will be maintained at the level of more than 2.3 billion tons.

1. In the aspect of infrastructure, the Chinese government announced the special debt quotas of the local government in advance, reduced the minimum capital ratio of part of the infrastructure special projects, accelerated the construction of shoring up weaknesses, and promoted the commence of construction of major special projects. As an important starting point for steady development, the infrastructure investment growth is expected to pick up. After the end of COVID-19, the economy will be boosted by accelerating infrastructure investment in various regions, which is now more than RMB40 trillion as announced by 31 provinces across the country.

2. In the aspect of real estate industry, the Chinese government clearly stated that real estate industry will not be used as a short-term stimulus to the economy. The real estate industry will be controlled in a "stable" manner, and the growth rate of investment in real estate may decline, but will remain a strong resilience.

In terms of supply: The implementation of control policies on environmental protection and new production capacity is conducive to the industry's enhancement of supply-side control, and the cement clinker imported from abroad will have a certain impact on regional market supply.

1. The year of 2020 is the last year of the Three-Year Action Plan for Winning the Blue Sky Defense Battle, the environmental control of air pollution will not be relaxed, local control measures will be more stringent, and road transportation and overloading control will be tight, which will help strengthen the regulation and control over the supply-side of cement industry.

2. Increase in production capacity replacement and release in new investment. As the requirements for new production lines by the country are more stringent, the production capacity replacement will continue to be the mainstream in the coming years. Except the increase in production capacity is still in place in Southwest and South China, the production capacity tends to be stable in most regions, and certain outdated production capacity in the northeast and northwest have been eliminated and replaced rapidly. In 2019, the Group added and eliminated the production capacity of 34 million tons and 18 million tons respectively, and realised a net increase of 16 million tons of production capacity. The overall growth rate of the country's total clinker production capacity is expected to slow down in 2020, which is expected to be around 10 million tons.

3. Cement clinker imports maintains an increasing trend. In 2019. The import volume of cement and clinker continued to increase in China, the overcapacity situation in Southeast Asian countries had not been relieved, and the price difference between domestic and foreign cement clinker was relatively huge. It is expected that in 2020, the import volume of clinker will continue to rise.

In terms of perspective of prices and benefits: As the national cement market gradually flattens and the industry competition pattern becoming more stable, which drove the price of domestic cement to up to the reasonable levels in 2019, it is expected that in 2020, the development of whole industry will continue the trend of 2019, the price of cement will show high and steady fluctuations and the benefits will remain at a high level.

Based on long-term and scientific planning, the Group focuses on the strategy-oriented efforts to strengthen and optimize the principal business, and speeds up the solid implementation of structural adjustments, shoring up the weaknesses and the "Three Major Strategies". Meanwhile, the Group practices the concept of "Lucid Waters and Lush Mountains Are Invaluable Assets" (綠水青山就是金山銀山), implementing a resource reserve strategy. The Group promotes upstream and downstream cooperation through project-based construction and implements the strategy of industrial chain extension. Adhering to the concept of human-oriented employment concept, the Group implements the strategy of talent-oriented development.

Looking forward to 2020, we are full of anticipation that building a century-old enterprise is the common aspiration of all employees. Under the current situation of cement industry, high-quality development is a profound change that affects the entire development of enterprises. The Company will, with the efforts of all its employees, keep improving the quality of its operations to take business development to a new level, and build itself into a top-notch player in the industry. Meanwhile, it will earnestly fulfill social responsibility, and reward its shareholders and employees and the society with excellent performance.

RECENT DEVELOPMENTS

The Company was served on 4 June 2019 with a Writ of Summons issued on 27 May 2019, in the Grand Court of the Cayman Islands (the "**Cayman Court**"), Financial Services Division (the "**Writ**").

The Writ has been 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 subsequent allotment of the Company's shares to the holders of such convertible bonds; and/or (ii) declarations setting aside the issue and subsequent conversion of the bonds.

The Company considers that there is no reasonable basis for the orders and/or declarations sought and, it will vigorously defend itself against the Writ and Tianrui's claim. Please refer to the Company's announcement dated 5 June 2019 for further information.

On 12 August 2019, the Company filed an application with the Cayman Court to, among other things, (i) strike out this hearing, and/or (ii) stay this hearing until the Hong Kong High Court has delivered judgment at trial in both HCA 548/2019 and HCA 2880/2015. This application was heard by the Cayman Court from 26 to 28 November 2019, with judgment pending.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2019, because of the on-going winding-up petition in the Cayman Islands and the fact that while the winding-up petition is still outstanding, the Company will need to apply for a validation order from the Grand Court to validate the payment of dividend. Given the amount of time and uncertainty in relation to the application for the validation order, the Board does not propose the payment of any dividend this year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining good corporate governance standards.

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

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

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

Chairman and Chief Executive Officer

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

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

Re-election of Directors

Code provision A.4.2 states that all directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. Under the Company's Articles of Association, the director holding office as Chairman shall not be subject to the retirement provisions. The proposed amendment of this article has been made at the annual general meeting of the Company held on 30 May 2019, and been formally adopted as a special resolution.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF THE PRELIMINARY ANNOUNCEMENT BY THE AUDIT COMMITTEE

This announcement has been reviewed by the Audit Committee with discussions with the existing management.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited ("**Moore Stephens**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore Stephens in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Moore Stephens on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2019.

Qualified 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 100 to 257, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidate statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects on the corresponding figures of the matters described in the section of "Basis for Qualified Opinion" of our report on the comparative information of the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for qualified opinion

(a) Comparative information of the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows

As detailed in our auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2018, dated 20 March 2019, we expressed a qualified opinion on the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows due to various limitations in evidence available to us in relation to the matters described in (i) and (ii) below.

(i) Scope limitation on the impairment assessment of the Group's interests in associates

As disclosed in note 19(b) to the consolidated financial statements, Qilu Property Co., Ltd. ("**Qilu Property**") was an associate invested by Shandong Shanshui during the period from July to September 2015. Due to the Group being unable to find the equity transfer agreement for this transaction and obtain the financial information or any books and records of Qilu Property, the Group fully impaired the carrying amount of the investment in Qilu Property of approximately RMB146,878,000 as at 31 December 2015.

As disclosed in note 19(c), the Group sold 55% interest in Shandong Shanshui Heavy Industries Co., Ltd. ("**Shanshui Heavy Industries**") in 2015 to two suppliers of the Group. After the disposal transaction, Shandong Shanshui's remaining interest in Shanshui Heavy Industries was 44.99% and it was recorded as an investment in an associate as at 31 December 2015. Since the Group was unable to access any books or records of the associate, the Group fully impaired the investment in Shanshui Heavy Industries of approximately RMB79,331,000 as at 31 December 2015.

As disclosed in note 19(b) and 19(c), the Group was able to obtain access to the financial information and books and records of Qilu Property and Shanshui Heavy Industries as at 31 December 2018. Based on the management assessment with reference to the net book value of Qilu Property and Shanshui Heavy Industries as at 31 December 2018, the recoverable amounts of Qilu Property and Shanshui Heavy Industries are assessed to be nil as at 31 December 2018. Accordingly, no reversal of impairment losses on investments in Qilu Property and Shanshui Heavy Industries was recognised by the Group during the year ended 31 December 2018. However, as we have not been provided with sufficient appropriate audit evidence to satisfy ourselves that the recoverable amounts, and hence the carrying amounts of investments in Qilu Property and Shanshui Heavy Industries as at 31 December 2017 were free from material misstatements, we were unable to satisfy ourselves whether about these carrying amounts as at 31 December 2017 and impairment loss or reversal of impairment loss, if any, recognised in the consolidated profit or loss for the years ended 31 December 2018, and the related elements making up the consolidated statement of changes in equity, the consolidated statement of cash flows and the related disclosures in the consolidated financial statements, were free from material misstatements.

(ii) Scope limitation on the impairment assessment of investment in Jinan Changqing Shanshui Micro Finance Co., Ltd. ("Shanshui Micro Finance") and Xinghao Cement Co., Ltd. (Xinghao Cement)

Shanshui Micro Finance and Xinghao Cement were subsidiaries of the Group as at 31 December 2015. As disclosed in note 18 to the consolidated financial statements, the board of the Company was unable to access any accounting books and records of the two companies nor did it have the ability to participate in the relevant activities of such companies and affect such companies' returns. Accordingly, the Group reclassified the investment in each of these companies as available-for-sale investments under IAS 39 and made a full impairment provision in prior years.

As disclosed in note 18, the Group was able to obtain access to the financial information and books and records of Shanshui Micro Finance and Xinghao Cement as at 31 December 2018. Based on the management assessment, the fair values of Shanshui Micro Finance and Xinghao Cement are assessed to be nil as at 31 December 2018. Accordingly, no change in fair value on investment in Shanshui Micro Finance and Xinghao Cement was recognised during the year ended 31 December 2018. However, as we have not been provided with sufficient appropriate audit evidence to satisfy ourselves that the recoverable amount and carrying amount of investment in Shanshui Micro Finance and Xinghao Cement as at 31 December 2017, and their fair values as at 1 January 2018 upon transition to application of IFRS 9, were free from material misstatements, we were unable to satisfy ourselves whether the carrying amount as at 31 December 2017 and impairment loss, if any, recognised in the consolidated statements of profit or loss for the year ended 31 December 2017 and the change in fair value of financial assets at fair value through profit or loss recognised in the consolidated profit or loss for the year ended 31 December 2018, and the related elements making up the consolidated statement of changes in equity, the consolidated statement of cash flows and the related disclosures in the consolidated financial statements, were free from material misstatements.

Any adjustments found to be necessary in respect of the matter described in (i) and (ii) above might have a significant effect on the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 December 2018 and hence may affect the comparability of the current year's figures and the corresponding figures in previous year in these statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA and issued an auditor's report. Our responsibilities under those standards have been further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fully 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 qualified opinion.

ANNUAL GENERAL MEETING

The Company's annual general meeting is to be held on 28 May 2020. The notice of the annual general meeting will be published on the website of the Company (www.sdsunnsygroup.com) and of the Stock Exchange (www.hkexnews.hk) as and when appropriate.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the shareholders with entitlement to attend and vote at the annual general meeting, the register of members will be closed from Monday, 25 May 2020 to Thursday, 28 May 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the annual general meeting, all completed transfer forms, accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, 22 May 2020.

APPRECIATION

On behalf of the directors of the Company, I would like to express my sincere gratitude to our creditors, shareholders, customers and business partners for their great support, and all our employees for their dedication and hard work.

By Order of the Board
China Shanshui Cement Group Limited
CHANG Zhangli
Chairman

Hong Kong, 20 March 2020

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. CHANG Zhangli and Ms. WU Ling-ling; and three independent non-executive Directors, namely Mr. CHANG Ming-cheng, Mr. LI Jianwei and Mr. HSU You-yuan.