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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

SUMMARY

- Operating revenue for the first half of year 2022 amounted to approximately RMB10,131,698,000, representing a decrease of 2.5% as compared to the corresponding period of last year;
- Profit from operations for the first half of year 2022 amounted to approximately RMB822,768,000, representing a decrease of 51.3% as compared to the corresponding period of last year;
- Profit attributable to equity shareholders of the Company for the first half of year 2022 amounted to approximately RMB477,009,000, representing a decrease of 60.4% as compared to the corresponding period of last year;
- Basic earnings per share for the first half of year 2022 was RMB0.11.

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 six months ended 30 June 2022 (the "**Reporting Period**"), together with comparative unaudited financial data for the corresponding period of 2021. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022 have been reviewed by the audit committee of the Board (the "**Audit Committee**") and approved by the Board.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022 – Unaudited

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 – Unaudited

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – Unaudited

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2022 – Unaudited

	Notes	**At 30 June 2022** *RMB'000*	At 31 December 2021 *RMB'000*
NON-CURRENT LIABILITIES			
Bank loans – amount due after one year	14	**875,000**	135,000
Long-term payables		**227,505**	263,423
Defined benefit obligations		**107,730**	107,730
Deferred income		**281,811**	243,104
Lease liabilities		**60,595**	53,023
Deferred tax liabilities		**59,201**	64,383
		1,611,842	866,663
NET ASSETS		**19,201,243**	18,753,882
CAPITAL AND RESERVES			
Share capital	18	**295,671**	295,671
Share premium		**8,235,037**	8,235,037
Share capital and Share premium		**8,530,708**	8,530,708
Other reserves		**10,405,649**	9,957,526
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**18,936,357**	18,488,234
Non-controlling interests		**264,886**	265,648
TOTAL EQUITY		**19,201,243**	18,753,882

1 BASIS OF PREPARATION

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

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

2 PRINCIPAL ACCOUNTING POLICIES

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

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

Application of amendments to IFRSs

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

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

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

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

(b) Segment reporting

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

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

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

- Northeastern China – subsidiaries operating and located in the Liaoning Province and Inner – Mongolia Autonomous Region of the PRC.

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

- Xinjiang Region – subsidiaries operating and located in the Kashi area of Xinjiang Uygur Autonomous Region of the PRC.

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

(i) Segment results, assets and liabilities

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

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

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

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

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 period is set out below.

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

(ii) Reconciliations of reportable segment profit or loss

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

4 SEASONALITY OF OPERATIONS

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

5 OTHER INCOME

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

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

6 OTHER GAINS AND LOSSES, NET

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

7 PROFIT BEFORE TAXATION

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

(a) Finance costs

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

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

(b) Other items

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

8 INCOME TAX EXPENSE

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

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

Notes:

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

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

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

9 DIVIDEND

During the Reporting Period, a final dividend for the year ended 31 December 2021 of no more than RMB0.256 per share amounting to approximately RMB1,114,615,000 has been proposed by the directors of the Company and approved by the Company's shareholders at the annual general meeting held on 27 May 2022. The proposed final dividend for the year ended 31 December 2021 is subject to all necessary order and approval from the Grand Court of the Cayman Islands given the Cayman Petition against the Company (as defined in note 20(b) to this announcement).

10 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Earnings figures:		
Profit for the period attributable to owners of the Company and earnings for the purposes of basic and diluted earnings per share	**477,009**	1,203,545
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**4,353,966,228**	4,353,966,228

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

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

11 TRADE AND BILLS RECEIVABLES

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

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

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

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

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

12 PREPAYMENTS AND OTHER RECEIVABLES

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

13 RESTRICTED BANK DEPOSITS

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

14 BANK LOANS

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

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

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

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

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

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

15 OTHER BORROWINGS

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

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

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

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

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 0.30% (31 December 2021: one-year deposit interest rate plus 0.30%) and is repayable in equal instalments from years 2012 to 2022. The loan was fully repaid during the Reporting Period.

16 TRADE PAYABLES

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

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

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

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

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

17 OTHER PAYABLES AND ACCRUED EXPENSES

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

Notes:

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

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

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

18 SHARE CAPITAL

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

19 CAPITAL COMMITMENTS

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

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

20 CONTINGENT LIABILITIES AND OTHER EVENTS

(a) Litigation contingencies

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

(b) Litigation in the Cayman Islands

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

On 21 March 2019, the Company announced that it was considering applying for a validation order (the "**VO Application**") from the Grand Court to sanction the deposit of share certificates into the Central Clearing and Settlement System ("**CCASS**") of Hong Kong, and asking shareholders who wish to have their share certificates included in any such application for a validation (the "**Requesting Shareholders**") to submit a written request to the Company. On 29 March 2019 (Cayman Islands time), the Company made the VO Application to the Grand Court to, among others, validate the transfer of shares held by the Requesting Shareholders to HKSCC Nominees Limited, the common nominee for shares deposited in CCASS. On 12 September 2019, the Grand Court granted the VO Application and ordered (among other things) the validation of any transfer of shares to HKSCC Nominees Limited by the Company's shareholders and that any such transfer shall not be avoided in the event of any order for the winding-up of the Company (the "**Share Transfer Order**"). On the same day that the judgment was handed down, the Grand Court also granted the petitioner, Tianrui, leave to appeal against its decision to the Court of Appeal. On 18 February 2020 (Cayman Islands time), the Court of Appeal allowed this appeal and reversed the Share Transfer Order. The Company applied for leave to appeal against the Court of Appeal's decision from the Privy Council which was refused by the Privy council on 29 September 2021.

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

On 12 August 2019, the Company filed applications with the Grand Court to, among others, (i) strike out the Cayman Petition, (ii) strike out the Writ (the "**Writ Application**"), and/or (iii) stay both proceedings (the "**Applications**").

On 6 April 2020, the Grand Court dismissed the Applications. The Company filed an application for leave to appeal against the Grand Court's decision with respect to the Writ Application, which was refused at the hearing on 17 December 2020 as recorded in the subsequent order dated 8 March 2021.

The Company renewed its application for leave to appeal against the decision on the Writ Application on 15 March 2021 and leave to appeal was granted by the Cayman Islands Court of Appeal on 8 April 2021. The Company filed its appeal on 12 April 2021 and the Appeal was heard on 10 November 2021. On 1 July 2022, the Court of Appeal delivered its judgment and allowed the Company's appeal. Consequently, the Writ will be struck out once the Certificate of the Order of the Court of Appeal is issued. However, the Court of Appeal did leave it open to Tianrui International to reconstitute the Writ as a derivative claim.

On 17 December 2020, the Grand Court heard a court summons for directions ("**Summons**") taken out by Tianrui on 26 August 2020 in connection with the Petition.

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Operating environment and industry overview

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

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

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

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

Company's business review

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

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

During the Reporting Period, the Group's total sales of cement and clinker were 23,848,471 tonnes, representing a YOY decrease of 18.2%; sales volume of concrete was 1,512,000 cubic meters, representing a YOY increase of 4.0%; sales revenue was RMB10,131,698,000, representing a YOY decrease of 2.5%; and the profit for the period was RMB468,716,000, representing a YOY decrease of 62.5%.

REVENUE

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

Region	**January–June 2022** Sales revenue *RMB'000*	**January–June 2022** Sales proportion	January–June 2021 Sales revenue *RMB'000*	January–June 2021 Sales proportion	Change of sales revenue
Shandong Region	**6,754,362**	**66.7%**	6,723,663	64.7%	0.5%
Northeast China Operating Region	**1,938,363**	**19.1%**	2,143,104	20.6%	–9.6%
Shanxi Operating Region	**1,168,310**	**11.5%**	1,300,397	12.5%	–10.2%
Xinjiang Operating Region	**270,663**	**2.7%**	224,857	2.2%	20.4%
Total	**10,131,698**	**100.0%**	10,392,021	100.0%	–2.5%

In the Reporting Period, the Group's revenue amounted to RMB10,131,698,000, representing a decrease of RMB260,323,000 or 2.5% from that of RMB10,392,021,000 for the corresponding period of 2021. The decrease in revenue was mainly attributable to the net impact of YOY decrease of 18.2% in sales volume of cement and clinker for the period resulting from the effects such as COVID-19 pandemic, climate and decline in market demand and other factors for the period, coupled with the YOY increase of 16.7% in cement price.

In respect of revenue contribution for the six months ended 30 June 2022, sales of cement and clinker accounted for 91.0% (2021: 91.6%) and the sales of ready-mix concrete accounted for 6.5% (2021: 5.7%).

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

Product	**January–June 2022** Sales revenue *RMB'000*	**January–June 2022** proportion	January–June 2021 Sales revenue *RMB'000*	January–June 2021 proportion	Sales revenue YOY change
Cement	**8,328,072**	**82.2%**	8,460,283	81.4%	–1.6%
Clinker	**887,182**	**8.8%**	1,054,833	10.2%	–15.9%
Concrete	**658,380**	**6.5%**	591,526	5.7%	11.3%
Others	**258,064**	**2.5%**	285,379	2.7%	–9.6%
Total	**10,131,698**	**100%**	10,392,021	100%	–2.5%

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 RMB7,827,292,000 (2021: RMB7,397,769,000). The increase in cost of sales was mainly due to the increase in cost of raw materials, prices of coal and cost of electricity for the period.

The gross profit for the six months ended 30 June 2022 was RMB2,304,406,000 (2021: RMB2,994,252,000), representing a gross profit margin of 22.7% on revenue (2021: 28.8%). The decrease in gross profit margin was mainly attributable to the effect of the increases in cost of raw materials and costs of coal and electricity.

FINANCIAL REVIEW

Other income

Other income decreased from RMB243,464,000 to RMB108,380,000, mainly due to the decrease in income from government grants and the recognition of waiver of interest expenses as compared with the same period of last year.

Other gains and losses, net

Other gains and losses increased from net losses of RMB21,201,000 to RMB51,848,000, mainly due to the increase in the net losses from the disposal of fixed assets, losses from foreign exchange and donation expenses in the period as compared with the same period of last year.

Selling and marketing expense, administrative expense and finance expense

Selling and marketing expenses decreased from RMB328,608,000 to RMB326,807,000, representing a YOY slight decrease of 0.5%, which was mainly due to the YOY decrease in transportation expenses, resulting from the net impact of the decrease in the work amount settled in the period for some key projects for which settlement was made at delivered price; and the net impact of increase in transportation cost resulting from factors including the increasing price of oil and traffic control and detour caused by certain government measures taken for the COVID-19 pandemic in the first half of the year.

A YOY decrease of 2.3% from RMB630,728,000 to RMB616,470,000 was recorded in administrative expense, which was mainly due to the decrease of estimated bonus resulting from the decrease in profit generated for the period.

A YOY decrease of 33.2% from RMB127,517,000 to RMB85,212,000 was recorded in finance expense, which was mainly due to lower interest expenses as compared with same period of last year resulting from completion of repayment of all bonds.

Taxation

Income tax expenses declined from RMB331,479,000 to RMB273,456,000, representing a YOY decrease of 17.5%, which was mainly due to the decrease in the Group's profit in the period.

Profit for the period

During the Reporting Period, the Group recorded a net profit of RMB468,716,000, representing a decrease of RMB782,773,000 from RMB1,251,489,000 for the same period in 2021, which was mainly due to (i) a decrease in sales volume, (ii) an increase in cost of sales caused by increases in prices of raw materials, coal and electricity, and (iii) an increase in losses incurred during off-peak suspension caused by a YOY increase in the number of days of off-peak season suspension of production.

FINANCIAL RESOURCES AND LIQUIDITY

During the prior year, the Group repaid all bonds issued in previous years and its financial structure has continued to improve. As of 30 June 2022, the Group's current liabilities exceeded current assets by approximately RMB921,534,000, which represented a decrease of RMB635,125,000 as compared with the excess of current liabilities over current assets as at 31 December 2021 of approximately RMB1,556,659,000; as at 30 June 2022, the total of the interest-bearing bank borrowings was RMB3,020,750,000, of which RMB2,145,750,000 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 30 June 2022, the total assets increased by approximately 6.9% to approximately RMB30,973,032,000 (31 December 2021: approximately RMB28,963,687,000), while total equity increased by approximately 2.4% to approximately RMB19,201,243,000 (31 December 2021: approximately RMB18,753,882,000).

As at 30 June 2022, bank balances and cash of the Group was approximately RMB1,794,124,000 (31 December 2021: approximately RMB1,423,171,000).

As at 30 June 2022, net gearing ratio of the Group was approximately 6.0% (31 December 2021: 5.6%), each of which was calculated based on net debt and total equity as of 30 June 2022 and 31 December 2021. The slight increase of gearing ratio was due to the increase of bank borrowings for the period.

Cash flow

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

(Unit: RMB'000)

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

Net cash generated from operating activities

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

Net cash used in investing activities

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

Net cash generated from/(used in) financing activities

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

Capital expenditures

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

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

(Unit: RMB'000)

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

Pledge of assets

Details in relation to pledge of assets of the Group as at 30 June 2022 are set out in note 14 to the announcement.

Contingent liabilities

Details in relation to contingent liabilities of the Group as at 30 June 2022 are set out in note 20 to the announcement.

Human resources

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

Material acquisition and disposal by subsidiaries and affiliated companies

During the Reporting Period, 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 THE SECOND HALF OF THE YEAR

Operational situation analysis

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

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

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

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

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

INTERIM DIVIDEND

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

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 Company has applied the principles and the 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 C.2.1 of the CG Code, the roles of chairman and Chief Executive Officer should be separated and should not be performed by the same individual.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF INTERIM REPORT AND RESULTS ANNOUNCEMENT BY AUDIT COMMITTEE

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND REPORT

This interim results announcement is available on the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the website of the Company (http://www.sdsunnsygroup.com). The interim report of the Company for the six months ended 30 June 2022 will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

On behalf of the Directors, 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
LI Huibao
Chairman

Hong Kong, 5 August 2022

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