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 2023

SUMMARY

- Operating revenue for 2023 amounted to approximately RMB18,116,387,000 (2022: RMB21,488,959,000), representing a decrease of 15.7% as compared to 2022;

- Loss from operations for 2023 amounted to approximately RMB646,555,000, as compared to a profit from operations of RMB1,464,033,000 for 2022;

- Loss attributable to equity shareholders of the Company for 2023 amounted to approximately RMB883,959,000, as compared to a profit attributable to equity shareholders of the Company of RMB755,411,000 (restated) for 2022;

- Basic loss per share for 2023 was RMB0.20 (2022: basic earnings per share RMB0.17).

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 2023 (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 2023

	Notes	2023 RMB'000	2022 RMB'000 (restated)
Revenue	4(a)	**18,116,387**	21,488,959
Cost of sales		**(16,203,780)**	(17,589,861)
Gross profit		**1,912,607**	3,899,098
Other income	5	**236,679**	315,595
(Impairment losses)/reversal of impairment on trade receivables, net		**(43,312)**	6,131
Impairment losses on other receivables, net		**(1,173)**	(24,345)
Selling and marketing expenses		**(317,920)**	(348,797)
Administrative expenses		**(1,535,013)**	(1,503,136)
Other net expenses, gains and losses	6	**(259,750)**	(175,475)
Expenses incurred during off-peak suspension		**(638,673)**	(705,038)
(Loss)/profit from operations		**(646,555)**	1,464,033
Finance costs	7(a)	**(218,273)**	(163,444)
Share of results of associates		**(12,711)**	(2,634)
(Loss)/profit before taxation	7	**(877,539)**	1,297,955
Income tax expense	8	**(172,567)**	(534,115)
(Loss)/profit for the year		**(1,050,106)**	763,840
Attributable to:			
Equity shareholders of the Company		**(883,959)**	755,411
Non-controlling interests		**(166,147)**	8,429
(Loss)/profit for the year		**(1,050,106)**	763,840
(Loss)/earnings per share	10		
Basic *(RMB)*		**(0.20)**	0.17
Diluted *(RMB)*		**(0.20)**	0.17

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
		(restated)
(Loss)/profit for the year	**(1,050,106)**	763,840
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss:		
Remeasurements of net defined benefit obligations	**3,010**	2,100
Exchange differences arising on translation from functional currency to presentation currency	**48,947**	(53,195)
Other comprehensive income/(expense) for the year	**51,957**	(51,095)
Total comprehensive (expense)/income for the year	**(998,149)**	712,745
Attributable to:		
Equity shareholders of the Company	**(832,002)**	704,316
Non-controlling interests	**(166,147)**	8,429
Total comprehensive (expense)/income for the year	**(998,149)**	712,745

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	**31.12.2023** **RMB'000**	31.12.2022 RMB'000 (restated)	1.1.2022 RMB'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**16,733,823**	16,963,357	15,963,349
Right-of-use assets		**2,254,779**	2,326,174	2,340,463
Intangible assets		**1,617,845**	1,569,445	1,295,554
Goodwill		**55,132**	90,132	90,132
Other financial assets		**15,180**	18,208	20,920
Interests in associates		**485,713**	514,029	316,660
Deferred tax assets		**306,215**	317,403	214,911
Other long-term assets		**874,685**	881,310	935,215
		22,343,372	22,680,058	21,177,204
CURRENT ASSETS				
Inventories		**2,143,591**	3,230,312	2,761,944
Trade and bills receivables	11	**1,743,148**	1,763,731	2,289,310
Prepayments and other receivables		**1,249,572**	1,435,338	1,283,150
Tax recoverable		**103,359**	72,919	66,477
Restricted bank deposits		**423,854**	223,473	28,908
Fixed bank deposits		**512,481**	—	—
Bank balances and cash		**2,254,037**	2,124,362	1,423,171
		8,430,042	8,850,135	7,852,960
CURRENT LIABILITIES				
Bank loans – amount due within one year	13	**4,332,147**	2,780,603	2,392,750
Other borrowings		**—**	—	909
Trade payables	12	**3,855,229**	4,711,006	3,737,635
Other payables and accrued expenses		**2,069,927**	2,291,581	2,283,495
Contract liabilities		**422,288**	519,332	527,927
Taxation payable		**51,266**	202,543	457,051
Lease liabilities		**4,723**	5,935	9,852
		10,735,580	10,511,000	9,409,619
NET CURRENT LIABILITIES		**(2,305,538)**	(1,660,865)	(1,556,659)
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,037,834**	21,019,193	19,620,545

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2023

	Notes	**31.12.2023**	31.12.2022	1.1.2022
		RMB'000	*RMB'000*	*RMB'000*
			(restated)	(restated)
NON-CURRENT LIABILITIES				
Bank loans – amount due after one year	13	**800,310**	835,000	135,000
Long-term payables		**303,799**	241,095	263,423
Defined benefit obligations		**93,200**	100,830	107,730
Deferred income		**316,007**	302,223	243,104
Lease liabilities		**52,911**	55,965	53,023
Deferred tax liabilities		**68,243**	51,480	73,369
		1,634,470	1,586,593	875,649
NET ASSETS		**18,403,364**	19,432,600	18,744,896
CAPITAL AND RESERVES				
Share capital		**295,671**	295,671	295,671
Share premium		**8,235,037**	8,235,037	8,235,037
Share capital and share premium		**8,530,708**	8,530,708	8,530,708
Other reserves		**9,798,626**	10,630,628	9,948,540
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**18,329,334**	19,161,336	18,479,248
Non-controlling interests		**74,030**	271,264	265,648
TOTAL EQUITY		**18,403,364**	19,432,600	18,744,896

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES

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

In 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, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

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

2.1 Impacts of the application of Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 "Income Taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions and provisions for decommissioning and restoration liabilities that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use assets and lease liabilities and decommissioning and restoration liabilities and the corresponding amounts recognised as part of the cost of the related assets.

The details of the impacts on each financial statement line item and earnings per share arising from the application of the amendments are set out in note 2.2. Comparative figures have been restated.

2.2 Impacts of the application of amendments to IFRSs on the consolidated financial statements

The table below illustrates the effects of the changes in accounting policy as a result of application of amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" on the consolidated statements of financial position as at 1 January 2022 and 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income and (loss)/earnings per share for the year ended 31 December 2022:

	1 January 2022 (Originally stated)	Adjustment	**1 January 2022** (Restated)
	RMB'000	*RMB'000*	*RMB'000*
Consolidated statement of financial position			
Deferred tax liabilities	64,383	8,986	73,369
Net assets	19,434,877	(8,986)	19,425,891
Accumulated profit	8,014,794	(8,986)	8,005,808
Total equity	18,753,882	(8,986)	18,744,896

	31 December 2022 (Originally stated)	Adjustment	**31 December 2022** (Restated)
	RMB'000	*RMB'000*	*RMB'000*
Consolidated statement of financial position			
Deferred tax liabilities	49,203	2,277	51,480
Net assets	19,434,877	(2,277)	19,432,600
Accumulated profit	8,526,261	(2,277)	8,523,984
Total equity	19,434,877	(2,277)	19,432,600

	Year ended 31 December 2022		
	(Originally stated)	Adjustment	(Restated)
	RMB'000	*RMB'000*	*RMB'000*
Consolidated statement of profit or loss and other comprehensive income			
Income tax expense	540,824	(6,709)	534,115
Profit for the year	757,131	6,709	763,840
Profit for the year attributable to equity shareholders of the Company	748,702	6,709	755,411
Total comprehensive income for the year	706,036	6,709	712,745
Total comprehensive income for the year attributable to equity shareholders of the Company	697,607	6,709	704,316

	Year ended 31 December 2022		
	(Originally stated)	Adjustment	(Restated)
	RMB'000	*RMB'000*	*RMB'000*
Earnings per share			
Basic earnings per share *(RMB)*	0.17	–	0.17
Diluted earnings per share *(RMB)*	0.17	–	0.17

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:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or 1 January 2025.

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

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

The consolidated financial statements have been prepared on a going concern basis as the directors of the Company are of the opinion that the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period taking into account various plans and measures.

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

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

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

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.

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

	2023	2022
	RMB'000	*RMB'000*
Sales of cement	**14,208,432**	17,161,832
Sales of clinker	**2,238,501**	2,337,728
Sales of concrete	**1,118,872**	1,403,513
Sales of other products	**550,582**	585,886
	18,116,387	21,488,959

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

(i) Performance obligations for contracts with customers

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

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

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

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

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

The Group also provides delivery services to customers.

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

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

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

(b) Segment reporting

(i) Segment results, assets and liabilities

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

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

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

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

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

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

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

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

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

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

– Segment results represent profits earned by each segment without allocation of head office administrative expenses, share of results of associates, loss on fair value changes of financial assets at FVTPL, directors' remuneration, auditor's remuneration and finance costs in relation to the unallocated bank loans. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

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

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 2023 and 2022 is set out below:

	2023					2022				
	Shandong Province *RMB'000*	**Northeastern China** *RMB'000*	**Shanxi Province** *RMB'000*	**Xinjiang Region** *RMB'000*	**Total** *RMB'000*	Shandong Province *RMB'000*	Northeastern China *RMB'000*	Shanxi Province *RMB'000*	Xinjiang Region *RMB'000*	Total *RMB'000*
Disaggregated by timing of revenue										
Point in time	**10,688,636**	**4,582,181**	**2,309,647**	**525,446**	**18,105,910**	13,639,585	4,777,300	2,600,864	459,932	21,477,681
Over time	**6,287**	**761**	**3,159**	**270**	**10,477**	5,881	1,726	3,671	–	11,278
Revenue from external customers	**10,694,923**	**4,582,942**	**2,312,806**	**525,716**	**18,116,387**	13,645,466	4,779,026	2,604,535	459,932	21,488,959
Inter-segment revenue *(note)*	**790,011**	**58,158**	**9,511**	**-**	**857,680**	1,149,830	172,141	13,455	–	1,335,426
Reportable segment revenue	**11,484,934**	**4,641,100**	**2,322,317**	**525,716**	**18,974,067**	14,795,296	4,951,167	2,617,990	459,932	22,824,385
Reportable segment (loss)/profit (adjusted (loss)/profit before taxation)	**78,493**	**(616,463)**	**17,935**	**93,162**	**(426,873)**	1,393,511	39,833	279,110	111,214	1,823,668
Included in arriving at segment results are:										
Interest income	**9,937**	**576**	**328**	**11**	**10,852**	9,248	1,326	266	12	10,852
Interest expense	**99,313**	**4,280**	**1,204**	**55**	**104,852**	43,709	5,406	1,108	129	50,352
Depreciation and amortisation for the year	**660,397**	**382,320**	**339,162**	**54,044**	**1,435,923**	679,783	412,060	326,965	58,103	1,476,911
Impairment losses on property, plant and equipment	**81,072**	**141,551**	**3,762**	**-**	**226,385**	118,610	17,940	–	–	136,550
Impairment losses on intangible assets	**-**	**40**	**-**	**-**	**40**	–	–	–	–	–
Impairment losses on goodwill	**35,000**	**-**	**-**	**-**	**35,000**	–	–	–	–	–
Impairment losses/(reversal of impairment) on trade receivables, net	**30,054**	**(295)**	**(150)**	**18**	**29,627**	(4,253)	(1,615)	(264)	1	(6,131)
(Reversal of impairment)/impairment losses on other receivables, net	**(400)**	**(817)**	**2,011**	**1,470**	**2,264**	(8,422)	28,730	2,274	25	22,607
Government grant	**69,371**	**44,240**	**44,374**	**3,112**	**161,097**	85,877	66,593	46,717	1,960	201,147
Additions to property, plant and equipment, right-of-use assets and intangible assets during the year	**664,971**	**555,725**	**206,860**	**8,219**	**1,435,775**	1,848,736	605,938	433,177	19,645	2,907,496
Reportable segment assets	**17,469,893**	**7,254,520**	**4,934,976**	**777,629**	**30,437,018**	16,003,824	8,755,445	5,469,960	1,021,911	31,251,140
Reportable segment liabilities	**7,033,520**	**1,421,061**	**589,699**	**73,743**	**9,118,023**	4,443,477	2,856,447	940,392	230,216	8,470,532

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

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

	2023	2022
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**18,974,067**	22,824,385
Elimination of inter-segment revenue	**(857,680)**	(1,335,426)
Consolidated revenue	**18,116,387**	21,488,959
Profit		
Reportable segment (loss)/profit	**(426,873)**	1,823,668
Elimination of inter-segment profit	**(55,713)**	(226,382)
Reportable segment (loss)/profit derived from Group's external customers	**(482,586)**	1,597,286
Share of result of associates	**(12,711)**	(2,634)
Loss on fair value change of financial assets at FVTPL	**(171)**	(2,712)
Unallocated other income	**29,118**	15,002
Unallocated finance costs	**(113,421)**	(113,092)
Unallocated head office and administrative expenses *(note)*	**(297,768)**	(195,895)
Consolidated (loss)/profit before taxation	**(877,539)**	1,297,955

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

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

	2023	2022
	RMB'000	*RMB'000*
		(restated)
Assets		
Reportable segment assets	**30,437,018**	31,251,140
Elimination of inter-segment profit	**(29,056)**	(33,710)
Elimination of inter-segment receivables	**(744,939)**	(765,351)
	29,663,023	30,452,079
Deferred tax assets	**306,215**	317,403
Interests in associates	**485,713**	514,029
Unallocated head office assets	**318,463**	246,682
Consolidated total assets	**30,773,414**	31,530,193
Liabilities		
Reportable segment liabilities	**9,118,023**	8,470,532
Elimination of inter-segment payables	**(744,939)**	(765,351)
	8,373,084	7,705,181
Deferred tax liabilities	**68,243**	51,480
Unallocated bank loans	**3,083,750**	3,615,603
Unallocated head office liabilities	**844,973**	725,329
Consolidated total liabilities	**12,370,050**	12,097,593

(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

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Interest income		**28,815**	20,260
Dividend income from financial assets at FVTPL		**835**	–
Government grants	(i)	**161,392**	202,196
Amortisation of deferred income		**13,353**	11,803
Release of other payable	(ii)	**–**	30,678
Others		**32,284**	50,658
		236,679	315,595

Notes:

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

(ii) The amount in the prior year represented the gain from release of other payable for the acquisition of Liaocheng Meijing Zhongyuan Cement Co. Ltd. ("**Liaocheng Meijing**") which amounted to RMB30,678,000. The previous shareholders of Liaocheng Meijing had sued the Group to settle the unpaid acquisition consideration payable, plus interests for late payment. During the year ended 31 December 2022, Shandong Higher People's Court ruled against the previous shareholders of Liaocheng Meijing, pronounced that the validity of the collection for the aforementioned consideration is negative. The court closed the case and as a result, the Group reversed the aforementioned payable.

6. OTHER NET EXPENSES, GAINS AND LOSSES

	2023	2022
	RMB'000	*RMB'000*
Net foreign exchange loss	**(21,235)**	(5,286)
Net gain/(loss) from disposal of property, plant and equipment	**21,787**	(8,780)
Impairment losses on property, plant and equipment	**(226,385)**	(136,550)
Impairment losses on intangible assets	**(40)**	–
Impairment losses on goodwill	**(35,000)**	–
Donations	**(5,660)**	(30,768)
Recovery of bad debt previously written off	**–**	2,526
Loss on fair value changes of financial assets at FVTPL	**(171)**	(2,712)
Others	**6,954**	6,095
	(259,750)	(175,475)

7. (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs

	Notes	2023 RMB'000	2022 RMB'000
Interest on bank loans		**160,924**	115,964
Interest on lease liabilities		**2,780**	2,895
Less: capitalised interest expenses	(i)	**–**	(100)
Net interest expenses		**163,704**	118,759
Bank charges		**36,001**	24,304
Unwinding of discount	(ii)	**18,568**	20,381
		218,273	163,444

Notes:

(i) The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation related to construction of plant was nil for the year ended 31 December 2023 (2022: 4.35%).

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

	2023 RMB'000	2022 RMB'000
Defined benefit obligations	**2,650**	2,840
Long-term payables	**15,918**	17,541
	18,568	20,381

(b) Personnel expenses (including directors' remunerations)

	2023	2022
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**1,741,900**	1,678,381
Bonus and awards	**153,346**	215,036
Staff's pension costs	**294,930**	299,849
Expense recognised in respect of defined benefit obligations	**3,110**	3,240
	2,193,286	2,196,506

(c) Other items

	2023	2022
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**1,151,255**	1,173,325
Depreciation of right-of-use assets	**87,919**	106,932
Amortisation of intangible assets	**211,176**	203,721
Total depreciation and amortisation	**1,450,350**	1,483,978
Auditors' remuneration		
– audit and assurance services	**5,800**	5,800
– other services	**860**	900
	6,660	6,700
Cost of inventories sold	**16,195,885**	17,582,236
Impairment losses on inventories (included in cost of sales)	**7,895**	7,625

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

Taxation in the consolidated statement of profit or loss:

	2023	2022
	RMB'000	*RMB'000*
		(restated)
The charge comprises:		
PRC Enterprise Income Tax ("**EIT**")		
Current tax	**151,066**	529,993
Overprovision in respect of prior years	**(6,450)**	(21,497)
Withholding tax on distributed profits	**–**	150,000
	144,616	658,496
Deferred tax	**27,951**	(124,381)
	172,567	534,115

Notes:

(i) The Group's PRC subsidiaries are subject to PRC EIT at the statutory rate of 25% (2022: 25%) unless otherwise specified.

Certain subsidiaries which are recognised as High and New-tech Enterprise have been granted tax concessions by the local tax bureau and are entitled to PRC EIT at a concessionary rate of 15% for both years.

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

The Company and its subsidiaries incorporated in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (2022: 16.5%). No provision for Hong Kong Profits Tax has been made as the Company and the subsidiaries incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for both years.

9. DIVIDEND

The Board does not recommend the payment of any final dividends for the year ended 31 December 2023.

During the Reporting Period, a final dividend of no more than RMB0.07 per share for the year ended 31 December 2022 (the "**2022 Final Dividend**") (2021: RMB0.256 per share) has been proposed by the directors of the Company on 15 March 2023.

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

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

Further detail is disclosed in the Company's announcements dated 21 March 2022, 27 May 2022, 27 February 2023, 15 March 2023 and 3 April 2023.

Except as disclosed above, no dividends were paid, declared or proposed to equity shareholders of the Company during the years ended 31 December 2022 and 2023.

10. (LOSS)/EARNINGS PER SHARE

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

	2023	2022
	RMB'000	*RMB'000*
		(restated)
Earnings figures are calculated as follows:		
(Loss)/profit for the year attributable to equity shareholders of the Company and (loss)/earnings for the purposes of basic and diluted (loss)/earnings per share	**(883,959)**	755,411
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	**4,353,966,228**	4,353,966,228

The computation of diluted (loss)/earnings per share does not assume the exercise of the share options granted by the Company in 2015 because the exercise prices of these share options were higher than the average market price of the shares of the Company for the years ended 31 December 2023 and 2022.

11. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Bills receivables	**367,273**	387,133
Trade receivables	**1,638,303**	1,634,983
Less: allowance for credit losses	**(262,428)**	(258,385)
	1,743,148	1,763,731

(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:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**552,942**	649,160
3 to 6 months	**270,014**	286,605
6 to 12 months	**259,743**	228,950
Over 12 months	**660,449**	599,016
	1,743,148	1,763,731

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

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:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**2,198,451**	3,049,803
3 to 6 months	**544,666**	622,319
6 to 12 months	**428,012**	425,822
Over 12 months	**684,100**	613,062
	3,855,229	4,711,006

Trade payable principally comprise amounts outstanding for trade purchase. The average credit period for trade purchases is 30 to 180 days.

13. BANK LOANS

		2023	2022
	Notes	*RMB'000*	*RMB'000*
Bank loans – Secured	(i)	**548,706**	505,603
Bank loans – Unsecured		**4,583,751**	3,110,000
		5,132,457	3,615,603

Notes:

(i) These bank loans were secured by certain land lease prepayments with an aggregate carrying amount of RMB133,993,000 (2022: nil), plants and buildings with an aggregate carrying amount of RMB400,852,000 (2022: RMB8,123,000) and bank deposits of RMB366,397,000 (2022: RMB210,100,000).

As at 31 December 2023 and 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 and borrowing agreements are as follows:

	2023	2022
	RMB'000	*RMB'000*
Within one year	**4,332,147**	2,780,603
After one year but within two years	**180,000**	835,000
After two years but within five years	**620,310**	–
	5,132,457	3,615,603

All bank loans are interest-bearing.

14. CONTINGENT LIABILITIES AND OTHER EVENTS

(a) Litigation contingencies

As at 31 December 2023, several litigation claims had been 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 RMB54,781,000 (2022: RMB14,382,000), which claims have not yet been concluded. No provision for these litigation claims was made in the annual financial report during the year ended 31 December 2023 as in the opinion of the directors of the Company, the possibility of an outflow of economic resources is remote.

(b) Litigation in the Cayman Islands

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

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

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

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

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

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

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

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

The Grand Court delivered rulings on 17 October 2023 and 26 October 2023, and a judgment dated 30 October 2023, regarding the scope of discovery in respect of the Cayman Petition. As at the date of this announcement, the parties are awaiting the Court's decision to resolve outstanding disagreements relating to the appropriate form of order to give effect to the Court's rulings and judgment, before discovery can progress. Further timetable to trial is yet to be set.

(c) Litigation in Hong Kong

MATERIAL LITIGATION IN HONG KONG

HCA 1013 of 2023

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

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

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

On 28 February 2024, Tianrui Group made an application to the Court to strike out CSC Group's counterclaim in this action allegedly, inter alia, on the ground that CSC Group's counterclaim in this action and its claim in HCA 548/2019 are duplicated. CSC Group considers that the application is baseless, and will contest strenuously. The application will be handled based on further directions given by the Court.

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 31 December 2023, 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.

DISCUSSION ON THE RESULTS AND FINANCIAL POSITIONS OF THE COMPANY

MANAGEMENT DISCUSSION AND ANALYSIS

Operating environment and industry overview

Production and sales of cement: insufficient demand and weakened expectations

In 2023, cement demand generally showed the characteristics of "insufficient demand, weakened expectations, and stagnancy in low and peak seasons". The real estate industry has entered a phase of profound adjustment throughout the year. Although infrastructure construction and manufacturing maintained a steady increase in the development trend, they were unable to make up for the decline. The drag of the real estate industry on cement demand remained significant, resulting in an ongoing downward trend in the overall cement demand. According to the data of the National Bureau of Statistics, the cumulative cement output in the country reached 2,023 million tonnes, representing a year-on-year decrease of 0.7% (on the same basis) and a narrowing of 10.1 percentage points as compared to the same period last year, the lowest level of cement output since 2011.

From the perspective of the quarterly growth trend of cement output, the end of the pandemic in early 2023 and the early start of the Spring Festival holiday have led to an early start in the market and a phased improvement in demand. The year-on-year growth rate of cement output in the first quarter increased rapidly, transitioning from negative to positive. From April to May, the recovery of the market during a peak season fell short of expectations, and the year-on-year growth rate of cement output continued to decline. Calculated based on the full-caliber output, the cumulative year-on-year cement output turned from positive to negative. From June to July, demand continued to weaken due to the plum rain season and flood disaster, and the year-on-year growth rate of cumulative cement output continued to decline. From August to October, the market recovered weakly, and the growth rate continued to decline. From November to December, the year-on-year decline in cement output narrowed slightly.

By region, cement output in the three major regions of Southern China has decreased as compared to the same period last year, with Central and South China and East China experiencing the largest declines, while the large regions of Northern China had overall growth, with Northwest experiencing the fastest growth.

Cement prices: gradual decline from a high level at the beginning, bottoming out with volatility and adjustments

In 2023, the domestic cement market price was initially at high levels and gradually decreased with volatility and adjustments. According to the statistics from the website of Digital Cement, the average transaction price of the national cement market for the year 2023 was RMB394 per tonne (price in place, the same below), representing a significant year-on-year decline of 15%, with the price at the lowest level in nearly six years.

Core factors for the low price with volatility and adjustments

Firstly, due to the continued sluggish market demand, the year-on-year decrease in the new construction area of properties continued to expand, and the construction progress of infrastructure projects was slow due to a shortage of funds. The demand for cement continued to be weak and inventories remained high.

Secondly, the sales strategies of enterprises kept switching between competition and cooperation. Due to the prominent market supply-demand imbalance, enterprises have seen higher pressure on sales. Especially in the second half of the year, enterprises across different regions were unwilling to lose market share, resulting in intense price competition. However, as extremely low prices led to loss-making situation, enterprises have adopted measures such as off-peak season production to promote small periodic price corrections and increases, making the cement prices bottoming out with volatility and adjustments the main theme in the switching process of competition rather than cooperation.

For the comparison of cement prices by region, in 2023, Northeast and North China experienced the deepest year-on-year decline in cement prices, with price reduction exceeding RMB100 per tonne, and declines of 21.8% and 20%, respectively.

Supply side: supply capacity being a record high

In 2023, 17 new dry-type cement production lines were ignited with an annual designed clinker capacity of 24.92 million tonnes. As of the end of 2023, the designed capacity of new dry-type cement clinker was 1.84 billion tonnes per year, while the actual capacity exceeded 2.1 billion tonnes. The capacity utilization rate is expected to be 59% in 2023, representing a decrease of 7 percentage points as compared with that of 2022, with the largest decreases in East China and Central and South China.

In 2023, numerous places across the country increased off-peak season production to ease the pressure on inventories, but the effect was minimal. Due to the overall weakening of cement demand, the dismal recovery of the peak season and the lack of market confidence, coupled with the release of production capacity in some areas and the increase in effective capacity of the market, the cement inventory continued to run at a high level. According to the observation made by Digital Cement, the ratio of national average cement inventory to storage capacity was 72% in 2023, which is 3 percentage points higher than that of the previous year and 15 percentage points higher than that of 2021, and the inventory levels was the highest during the same period in the past eight years, leading to intensified competitions in the regional market, with some areas experiencing disorderly competitions and low prices.

Benefits: meager industrial profit margins being lower than the industrial average

In general, the cement industry encountered the severest challenge in 2023, and cement enterprises were simultaneously hit by multiple unfavorable factors, such as intensified market competition, high upstream raw and fuel costs, downstream real estate downturn, and increased constraints on environmental protection and energy consumption. Disorderly competition and regional industry losses in some areas have resulted in a substantial shrinkage of profits for enterprises and meager profits for the industry. The cement industry is expected to make a profit of approximately RMB32 billion in 2023, representing a year-on-year decrease of approximately 50%.

Company's business review

In 2023, the Group was committed to refining our fundamental internal management to enhance the quality of existing manufacturing operations and the management of financial resources and liquidity.

As at 31 December 2023, the Group had a total production capacity of 95.53 million tonnes of cement, 50.12 million tonnes of clinker and 18.10 million cubic meters of concrete.

During the Reporting Period, the Group's total sales of cement and clinker were 62,950,000 tonnes, representing a YOY increase of 14.0%; sales volume of concrete was 3,051,000 cubic meters, representing a YOY decrease of 8.3%; revenue was RMB18,116,387,000, representing a YOY decrease of 15.7%; and the loss for the year was RMB1,050,106,000 while the profit for last year was RMB763,840,000.

REVENUE

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

Region	**2023** Sales revenue *RMB'000*	**2023** Sales proportion	2022 Sales revenue *RMB'000*	2022 Sales proportion	Change of sales revenue
Shandong Region	**10,694,923**	**59.0%**	13,645,466	63.5%	-21.6%
Northeastern China Region	**4,582,942**	**25.3%**	4,779,026	22.3%	-4.1%
Shanxi Region	**2,312,806**	**12.8%**	2,604,535	12.1%	-11.2%
Xinjiang Region	**525,716**	**2.9%**	459,932	2.1%	14.3%
Total	**18,116,387**	**100%**	21,488,959	100%	-15.7%

During the Reporting Period, the Group's revenue amounted to RMB18,116,387,000, representing a decrease of RMB3,372,572,000 or 15.7% as compared with 2022. The decrease in revenue was mainly attributable to the decrease in price of cement for the year.

In respect of revenue contribution for 2023, sales of cement and clinker accounted for 90.8% (2022: 90.8%) and the sales of ready-mix concrete accounted for 6.2% (2022: 6.5%).

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

Product	**2023** Sales revenue *RMB'000*	**2023** Sales proportion	2022 Sales revenue *RMB'000*	2022 Sales proportion	Sales revenue YOY change
Cement	**14,208,432**	**78.4%**	17,161,832	79.9%	-17.2%
Clinker	**2,238,501**	**12.4%**	2,337,728	10.9%	-4.2%
Concrete	**1,118,872**	**6.2%**	1,403,513	6.5%	-20.3%
Others	**550,582**	**3.0%**	585,886	2.7%	-6.0%
Total	**18,116,387**	**100%**	21,488,959	100%	-15.7%

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 RMB16,203,780,000 (2022: RMB17,589,861,000). The decrease in cost of sales was mainly due to a YOY decrease in the unit production cost of cement and clinker during the year.

The gross profit for 2023 was RMB1,912,607,000 (2022: RMB3,899,098,000), representing a gross profit margin of 10.6% on revenue (2022: 18.1%). The decrease in gross profit was mainly attributable to a YOY decrease in cement and clinker price, and much greater reduction in cement sales price than the reduction in its unit production cost during the year, resulting in a decline in gross profit margin.

FINANCIAL REVIEW

Other income

Other income decreased from RMB315,595,000 to RMB236,679,000, mainly due to the decrease in government grants income as compared with the previous year.

Other net expenses, gains and losses

Other net expenses, gains and losses increased from RMB175,475,000 to RMB259,750,000, mainly due to the increase in net foreign exchange losses and recognition of impairment losses on goodwill, property, plant and equipment during the current year as compared with the previous year.

Selling and marketing expense, administrative expense and finance expense

A YOY decrease of 8.9% from RMB348,797,000 to RMB317,920,000 was recorded in selling and marketing expenses, mainly due to a YOY decrease in sales service charges for the year.

A YOY increase of 2.1% from RMB1,503,136,000 to RMB1,535,013,000 was recorded in administrative expense, mainly due to the payment of compensation for the dismissal of certain employees resulting from the relocation of production lines of certain subsidiaries and additional provision resulting from employment compensation and compensation for resignation granted to certain employees based on their prior employment relationship in the course of the restructuring of the subsidiary, Shandong Shanshui, from a state-owned enterprise to a privately-owned enterprise during the year.

A YOY increase of 33.5% from RMB163,444,000 to RMB218,273,000 was recorded in finance expense, mainly due to higher interest expenses as compared with the previous year resulting from the increase in bank loans during the year.

Taxation

A YOY decrease of 67.7% from RMB534,115,000 to RMB172,567,000 was recorded in income tax expenses, mainly due to the decrease of taxable income for the year.

(Loss)/profit for the year

The Group recorded a net loss for the year of RMB1,050,106,000 while the net profit for 2022 was RMB763,840,000. Loss for the year was mainly due to the decrease in cement price exceeding the reduction of unit production costs, resulting in a significant decrease in gross profit for the year.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2023, the total interest-bearing bank loans was RMB5,132,457,000, out of which RMB4,332,147,000 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 2023, total assets decreased by 2.4% to RMB30,773,414,000 (2022: RMB31,530,193,000), while total equity decreased by 5.3% to RMB18,403,364,000 (2022: RMB19,432,600,000).

As at 31 December 2023, bank balances and cash of the Group was RMB2,254,037,000 (2022: RMB2,124,362,000).

As at 31 December 2023, net gearing ratio of the Group was 13.5% (2022: 7.1%), each of which was calculated based on net debts and total equities as of 31 December 2023 and 31 December 2022. The increase of gearing ratio was due to the increase in bank loans for the year.

Cash flow

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

(Unit: RMB'000)

	2023	2022
Net cash generated from operating activities	**424,228**	2,658,434
Net cash used in investing activities	**(1,631,609)**	(2,947,329)
Net cash generated from financing activities	**1,310,377**	1,047,726
Net change in cash and cash equivalents	**102,996**	758,831
Balance of cash and cash equivalents as at 1 January	**2,124,362**	1,423,171
Effect of foreign exchange rates change	**26,679**	(57,640)
Balance of cash and cash equivalents as at 31 December	**2,254,037**	2,124,362

Net cash generated from operating activities

During the Reporting Period, the Group recorded a net cash generated from operating activities of RMB424,228,000, representing a YOY decrease of RMB2,234,206,000 mainly due to the decrease in cement price for the year.

Net cash used in investing activities

During the Reporting Period, the Group recorded a net cash used in investing activities of RMB1,631,609,000, representing a YOY decrease of RMB1,315,720,000, mainly due to the decrease of capital expenditure in construction of new production lines for cement and clinker and equipment purchase for technical transformation, as well as equity investment within the Group during the year.

Net cash generated from financing activities

During the Reporting Period, the Group recorded a net cash generated from financing activities of RMB1,310,377,000, representing a YOY increase of RMB262,651,000, mainly due to the increase in the net inflow of bank loans for the year.

Capital expenditures

During the Reporting Period, the capital expenditures were approximately RMB1,204,341,000, which were mainly invested in intelligent production, mine resources reserves, and new construction and technical improvement 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 2023 were as follows:

(Unit: RMB'000)

	31 December 2023	31 December 2022
Authorised and contracted for		
– plant and equipment and intangible assets	**1,275,929**	1,457,927
Authorised but not contracted for		
– plant and equipment and intangible assets	**918,370**	1,430,757
Total	**2,194,299**	2,888,684

Pledge of assets

Details in relation to pledge of assets of the Group as at 31 December 2023 are set out in note 13.

Contingent liabilities

Details in relation to contingent liabilities of the Group as at 31 December 2023 are set out in note 14.

Human resources

As at 31 December 2023, the Group had a total of 16,032 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 of 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 2024

(a) Operating environment outlook

In 2023, under the dual pressure of cement prices continuing to bottom out and the high fuel and raw materials costs, the cement enterprises recorded a sharp decline in profits amid the intensified competition in the industry, hitting a 10-year low on the whole. In the opening of 2024, the low trend will continue, and the domestic market hasn't yet seen favourable factors that can be able to effectively drive the growth of the demand for cement, the majority of the cement enterprises thus will continue to face the situation of a serious imbalance between supply and demand.

From the perspective of demand: In the Economic Work Conference of the Central Government held at the end of 2023, it was stressed that in 2024, we should, centering on promoting high-quality development, give priorities to key tasks and meanwhile by no means neglect the vital ones, striving to achieve good results in economic development. We will adhere to the principle of seeking progress amidst stability, promoting stability through progress, and establishing new mechanisms and rules before eliminating old ones. Stability is the overall situation and foundation, and more policies that are conducive to stabilising expectations, growth and employment should be introduced.

In terms of the real estate sector, the state will proactively and properly deal with risks in this sector, satisfy the reasonable financing needs of real estate enterprises of different ownerships with just treatment towards them, and promote the stable and healthy development of the real estate market; and accelerate the progress of "three major projects" such as the construction of government-subsidised housing, the construction of public infrastructure "for use in both ordinary occasions and emergencies", and the renovation of urban villages. It is estimated that the real estate industry may continue to drive the cement demand downward, but to a significantly lesser extent compared to 2022 and 2023.

In terms of infrastructure investment, infrastructure investment will remain as an important means to underpin the economy. With the commencement of new infrastructure projects corresponding to the issuance of 1 trillion additional national bonds in early 2024, infrastructure investment will continue to grow under the guidance of "promoting stability with progress and appropriately increasing".

As the real estate industry has entered a stage of thorough adjustment, it is difficult for infrastructure construction to make up for the decline despite the development trend of gaining growth while keeping stable, it is expected that the annual demand for cement in 2024 will be a slight decline than that in 2023 by 2–3%.

From the perspective of supply: the capacity utilisation rate will be further reduced affected by insufficient demand and more severe industry overcapacity. Off-peak season production and other regular measures to reduce cement production fail to change the current supply-demand imbalance on a large scale. By adopting the "dual-control" approach of energy consumption intensity and total volume, and the "dual-control" approach of total volume and intensity of emissions to speed up the clearance of inefficient production capacity and improve concentration the level to adjust the industrial structure, is the key to maintaining the healthy development of the industry in the medium- and long-term key.

From the perspective of price and benefit: the year 2024 will still mark an extremely difficult year for the industry. With insufficient demand in the cement market and high total capacity, it is unlikely to significantly improve the supply-demand margin, and it is unlikely to avoid phased price competition. However, nationwide cement enterprises, which have experienced many rounds of price troughs and whose demand for profit improvement or stability still exists under the background of relatively stable market demand, are unlikely to take the comprehensive continuous ultra-low price operation strategy, but to actively carry out the off-peak season production based on local policy in order to reduce losses. It is expected that the national cement market prices will continue to experience market volatility and adjustments, and there will be many difficulties in significantly improving industry efficiency.

From the perspective of investment: firstly, the market consolidation opportunity is maturing. Faced with severe competition in the future market, some disadvantaged enterprises are more willing to actively exit the market, large groups and advantageous enterprises are expected to further promote the integration of production capacity, and at the same time, optimise and strengthen the market layout, which will be conducive to enhancing the concentration of the industry. Secondly, large enterprises pay more attention to upstream and downstream industrial investment to increase the incremental contribution of cement enterprises, leverage the synergistic effect of the industry, and promote the construction of the whole industrial chain. Important manifestations include mining resources, aggregate processing, commercial concrete and products, digital intelligence, optical storage of new energy, synergistic disposal, carbon reduction and carbon neutrality, and even real estate. Large enterprises with investment and financing capabilities are also actively launching overseas investments to expand into the international market.

(Source: analysis of the economic operation of China cement in 2023 and outlook for 2024, Digital Cement)

(b) Business outlook of the Company

Looking ahead to 2024, the expected situation of the cement industry is still severe. The Company will adhere to the overall tone of seeking progress while maintaining stability and promoting stability through progress, the center of improving quality and efficiency and the key of consolidating competitive strength, actively carry out work around cost reduction, cost saving, stable operation, and increase of price, quantity and efficiency, comprehensively improve our business management level, continuously strengthen our survival ability, competitiveness, and risk prevention ability, and ensure that we can steadily move forward in the face of industry adversity.

The main direction of work for 2024 is as follows:

In 2024, the Company will focus on four work directions:

Firstly, to strengthen standardized management, make precise and moderate investments, and enhance sustainable development capabilities.

Secondly, to strengthen cooperation and win-win, implement precise and advanced policies, and enhance market competitiveness.

Thirdly, to strengthen cost reduction and efficiency improvement, accurately prevent risks, and enhance sustainable survival capabilities.

Fourthly, to strengthen awareness of policies and regulations, accurately resolve conflicts, and consolidate the foundation of stable development.

Key tasks throughout the year include:

Firstly, solidly promoting the "Year of Management Improvement" action. Starting from multiple dimensions such as strategic planning, organizational management, operational management, technological innovation management, human resource management, and ecological environment management, we will continuously deepen modern enterprise management concepts and accelerate the shift towards connotative development; through specific measures such as improving management systems, optimizing management processes, establishing inventory records, and improving assessment mechanisms, we will comprehensively strengthen standardized management of enterprises, continuously promote management innovation, and effectively promote the improvement of enterprise efficiency through the improvement of management level.

Secondly, making every effort to stabilize quantity and price. We will get rid of the dependence on sales channel paths, fully utilize market-oriented means, improve the collaborative ability between operating areas and subordinate enterprises, and consolidate regional market competitive advantages; solidly carry out the work of stabilizing quantity and price, focus on finding the best balance between quantity and price, and strive for maximum efficiency; intensify the research and development of high value-added products and continue to explore the special cement market.

Thirdly, scientifically and efficiently organizing production. We will further optimize benchmarking management, strengthen data management and analysis, accurately locate the optimal production operation threshold, and make every effort to achieve cost reduction and efficiency improvement; continuously promote independent maintenance to further reduce maintenance costs; continuously follow up on industry research on "carbon trading" and "new national standards" policies, and solidly carry out personnel training and related work rehearsals; further improve the construction of the safety production management system, strictly implement the main responsibility, and continue to carry out safety audits; secure the bottom line of quality, comprehensively strengthen quality control in key links such as the purchase of raw materials and fuels, production process, and product delivery, and achieve full cycle quality assurance.

Fourthly, focusing on and implementing procurement cost reduction. We will normalize and refine the comprehensive benchmarking of comparable materials, strengthen industry benchmarking on the basis of internal enterprise benchmarking; fully leverage the advantages of scale procurement and source procurement, strive to expand the achievements of "de-intermediation", and further reduce procurement costs; continuously strengthen the supervision and management of procurement personnel at all levels, improve relevant institutional systems, and ensure compliance, efficiency, transparency, and integrity; improve the supplier evaluation mechanism and select the best and eliminate the worst through quantitative evaluation.

Fifthly, making every effort to ensure the security of funds. We will continuously improve the standardized financial internal control management system, strengthen the professionalism, unity, and penetration of financial supervision; put cost control in a more prominent position, further decrease sales, management and other expenses by strengthening budget constraints and process control; adhere to the differentiated principle of project investment, prioritize the construction of resource, environmental, and related key projects, and avoid inefficient, invalid and excessive investment; on the basis of maintaining smooth and stable financing channels, continuously optimize financing and credit plans, and focus on reducing financial costs; accurately apply for policy support, continuously improve the utilization rate of favorable corporate financial and tax policies and financial policies; actively promote the disposal of accounts receivable, strive to revitalize assets, preserve value and recover losses, and improve recovery.

Sixthly, preventing and resolving business risks. We will organize joint consultations with subordinate enterprises, conduct in-depth analysis of the reasons for losses, tailor measures to turn losses around, and strive to improve the operational level and restore profitability of the enterprise; timely promote the asset revitalization or transformation and upgrading of long-term loss-making enterprises, and achieve burden reduction and relief as soon as possible; build a solid barrier for preventing business risks, increase the participation of legal work in contract management, workflow execution, etc., fully leverage the effectiveness of audit supervision, and further enhance the ability to govern enterprises in accordance with the law and regulations.

Seventhly, activating the engine of talent development. We will highlight the value creation orientation, actively promote the reform of salary and assessment mechanisms with internal training as the main focus and external introduction as a supplement, strengthen the construction of a reserve talent pool, continuously improve and alleviate the structural shortage of talent team, and strive to promote the dual increase of per capita contribution and per capita income.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2023, because of the ongoing 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 Company has applied the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 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).

Meeting between Chairman and Independent Non-Executive Directors

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**"). Having made specific inquiries to all Directors, all Directors confirmed that they have complied with the Model Code 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 CPA LIMITED (FORMERLY, 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 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Moore CPA Limited ("**Moore**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore 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 on the preliminary announcement.

ANNUAL GENERAL MEETING

The Company's annual general meeting is to be held on 30 May 2024. The notice of the annual general meeting will be published on the websites of the Company (http://www.sdsunnsygroup.com) and of the Hong Kong Exchanges and Clearing Limited (http://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, 27 May 2024 to Thursday, 30 May 2024, 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, 24 May 2024.

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
LI Huibao
Chairman

Hong Kong, 15 March 2024

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.