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

2023
ANNUAL REPORT

Contents

(I) Definitions

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

"Company" or "China Shanshui" or "Shanshui Cement"	China Shanshui Cement Group Limited
"Group" or "China Shanshui Group"	the Company and its subsidiaries
"Financial Statements"	the consolidated financial statements of the Group
"Reporting Period"	the period from 1 January 2023 to 31 December 2023
"Board"	the Board of Directors of the Company
"Director(s)"	the Director(s) of the Company
"China Shanshui (HK)"	China Shanshui Cement Group (Hong Kong) Company Limited
"Pioneer Cement"	China Pioneer Cement (Hong Kong) Company Limited
"Continental Cement"	Continental Cement Corporation
"American Shanshui"	American Shanshui Development Inc.
"Shandong Shanshui"	Shandong Shanshui Cement Group Company Limited
"ACC"	Asia Cement Corporation
"CNBM"	China National Building Material Company Limited
"CSI"	China Shanshui Investment Company Limited
"Tianrui"	Tianrui (International) Holding Company Limited
"Tianrui Group"	Tianrui Group Company Limited
"Shandong Region"	business covered by Eastern Shandong Operating Region, Western Shandong Operating Region and Southern Shandong Operating Region
"Eastern Shandong Operating Region"	business located at the Eastern Shandong Province, including Weifang, Qingdao, Yantai and Weihai, etc
"Western Shandong Operating Region"	business located at the Central and Western Shandong Province, including Zibo, Jinan and Hebei Province and Tianjin, etc

(I) Definitions (Continued)

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

(II) Corporate Information

1. BOARD OF DIRECTORS AND BOARD COMMITTEES

Executive Directors

Mr. LI Huibao *(Chairman)*
Ms. WU Ling-ling
Mr. HOU Jianguo

Independent Non-Executive Directors

Mr. CHANG Ming-cheng
Mr. LI Jianwei
Mr. HSU You-yuan

Audit Committee

Mr. CHANG Ming-cheng *(Chairman)*
Mr. LI Jianwei
Mr. HSU You-yuan

Remuneration Committee

Mr. LI Jianwei *(Chairman)*
Mr. CHANG Ming-cheng
Mr. HSU You-yuan

Executive Committee *(dissolved with effect from 16 March 2023)*

Mr. LI Huibao *(Chairman)*
Ms. WU Ling-ling
Mr. HOU Jianguo

Nomination Committee

Mr. HSU You-yuan *(Chairman)*
Ms. WU Ling-ling
Mr. HOU Jianguo
Mr. CHANG Ming-cheng
Mr. LI Jianwei

Environment, Social and Governance Committee *(established with effect from 21 April 2023)*

Mr. LI Huibao *(Chairman)*
Ms. WU Ling-ling
Mr. HOU Jianguo
Mr. CHANG Ming-cheng
Mr. LI Jianwei
Mr. HSU You-yuan

2. BASIC CORPORATE INFORMATION

(1)	Official Chinese name of the Company	:	中國山水水泥集團有限公司
	Official English name of the Company	:	China Shanshui Cement Group Limited
	Abbreviation in English	:	CSC
(2)	Registered Office	:	Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands
(3)	Principal Place of Business in China	:	Shanshui Industrial Park, Gushan Town, Changqing District, Jinan, Shandong, PRC
	Principal Place of Business in Hong Kong	:	5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong
(4)	Website	:	http://www.sdsunnsygroup.com
(5)	Authorised Representatives	:	LI Huibao and WU Ling-ling
(6)	Company Secretary	:	LEE Mei Yi
(7)	Listing Date	:	4 July 2008
(8)	Exchange on which the Company's shares are listed	:	The Stock Exchange
(9)	Stock code	:	00691
(10)	Stock Short Name	:	Shanshui Cement

(II) Corporate Information (Continued)

(11)	Hong Kong Share Registrar and Transfer Office	:	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
(12)	Legal Adviser as to Hong Kong law	:	Freshfields Bruckhaus Deringer
(13)	Auditor	:	Moore CPA Limited (Formerly, Moore Stephens CPA Limited) (Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)

(III) Financial and Business Data Summary

1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Unit: RMB'000)

	For the 12 months ended 31 December				
	2023	2022 (restated)	2021	2020	2019
Revenue	**18,116,387**	21,488,959	24,659,544	20,891,454	21,478,831
Gross profit	**1,912,607**	3,899,098	7,259,549	6,964,665	7,271,722
Gross profit margin	**10.6%**	18.1%	29.4%	33.3%	33.9%
(Loss)/profit from operations	**(646,555)**	1,464,033	4,198,280	4,659,112	4,692,516
(Loss)/profit margin from operations	**(3.6%)**	6.8%	17.0%	22.3%	21.8%
(Loss)/profit for the year	**(1,050,106)**	763,840	2,894,847	3,274,390	3,028,382
Attributable to:					
Equity shareholders of the Company	**(883,959)**	755,411	2,777,298	3,186,993	2,973,104
Minority interests	**(166,147)**	8,429	117,549	87,397	55,278
Basic (loss)/earnings per share *(RMB)*	**(0.20)**	0.17	0.64	0.73	0.68
Diluted (loss)/earnings per share *(RMB)*	**(0.20)**	0.17	0.64	0.72	0.68

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unit: RMB'000)

	As at 31 December				
	2023	2022 (restated)	2021 (restated)	2020	2019
Non-current assets	**22,343,372**	22,680,058	21,177,204	20,499,061	20,610,663
Current assets	**8,430,042**	8,850,135	7,852,960	7,178,382	6,217,142
Total assets	**30,773,414**	31,530,193	29,030,164	27,677,443	26,827,805
Equity attributable to equity shareholders of the Company	**18,329,334**	19,161,336	18,479,248	15,702,798	12,497,200
Non-controlling interests	**74,030**	271,264	265,648	179,219	103,239
Non-current liabilities	**1,634,470**	1,586,593	875,649	1,955,931	3,045,630
Current liabilities	**10,735,580**	10,511,000	9,409,619	9,839,495	11,181,736
Total liabilities	**12,370,050**	12,097,593	10,285,268	11,795,426	14,227,366
Total equity and liabilities	**30,773,414**	31,530,193	29,030,164	27,677,443	26,827,805
Net gearing ratio	**13.5%**	7.1%	5.9%	13.9%	27.6%

(III) Financial and Business Data Summary (Continued)

3. CONSOLIDATED STATEMENT OF CASH FLOWS

(Unit: RMB'000)

	For the 12 months ended 31 December				
	2023	2022	2021	2020	2019
Net cash generated from operating activities	**424,228**	2,658,434	3,553,072	3,509,672	4,166,604
Net cash used in investing activities	**(1,631,609)**	(2,947,329)	(2,097,184)	(1,325,379)	(1,520,899)
Net cash generated from/(used in) financing activities	**1,310,377**	1,047,726	(1,439,860)	(2,135,273)	(2,600,085)
Net increase in cash and cash equivalents	**102,996**	758,831	16,028	49,020	45,620

4. KEY BUSINESS DATA

	2023	2022	2021	2020	2019
Sales volume of cement *('000 tonnes)*	**52,612**	47,570	55,832	51,250	47,546
Sales volume of clinker *('000 tonnes)*	**10,338**	7,635	8,362	8,699	8,205
Sales volume of concrete *('000 m^3)*	**3,051**	3,328	3,553	2,812	3,204
Unit selling price of cement *(RMB/tonne)*	**270.1**	360.8	360.7	328.7	361.4
Unit selling price of clinker *(RMB/tonne)*	**216.5**	306.2	284.7	262.4	276.3
Unit selling price of concrete *(RMB/m^3)*	**366.7**	421.7	424.8	452.0	495.3

(1) COMPANY BACKGROUND

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

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

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

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

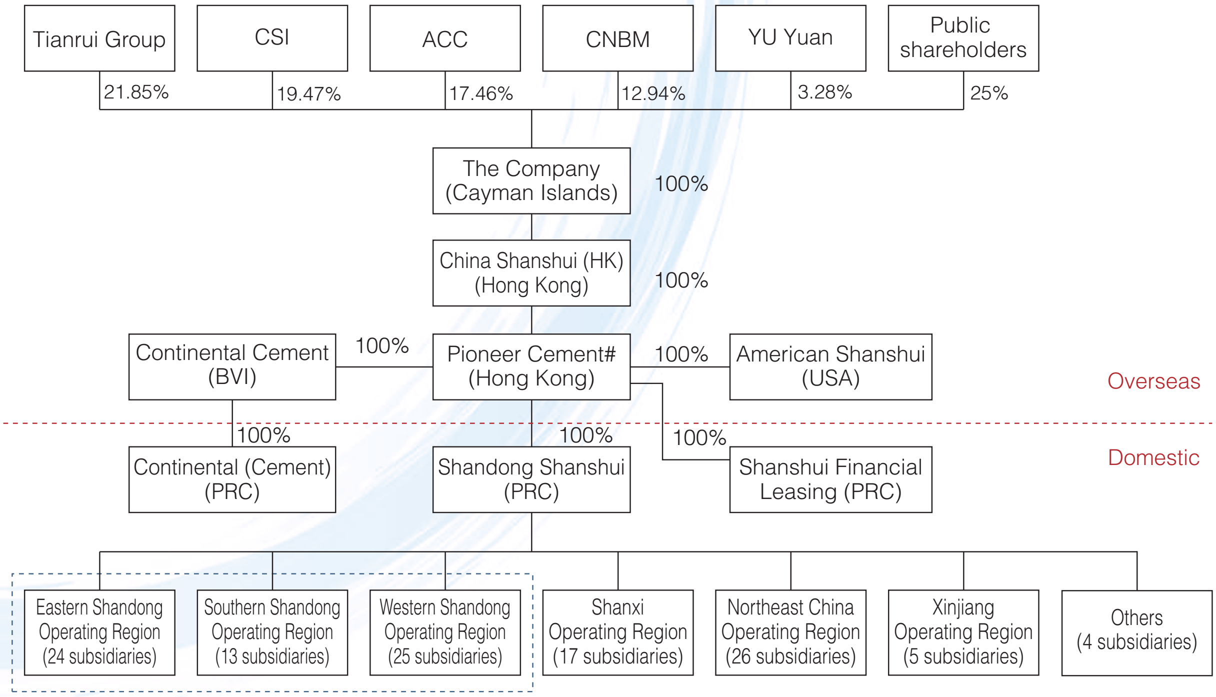
Shandong Shanshui Group has six operating regions including Eastern Shandong Operating Region, Western Shandong Operating Region, Southern Shandong Operating Region, Northeast China Operating Region, Shanxi Operating Region, and Xinjiang Operating Region, and currently has 114 subsidiaries in 10 provinces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

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

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

(IV) Corporate Profile (Continued)

(2) SHAREHOLDING STRUCTURE OF THE GROUP



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

(3) DISTRIBUTION OF PRODUCTION FACILITIES AND CAPACITY

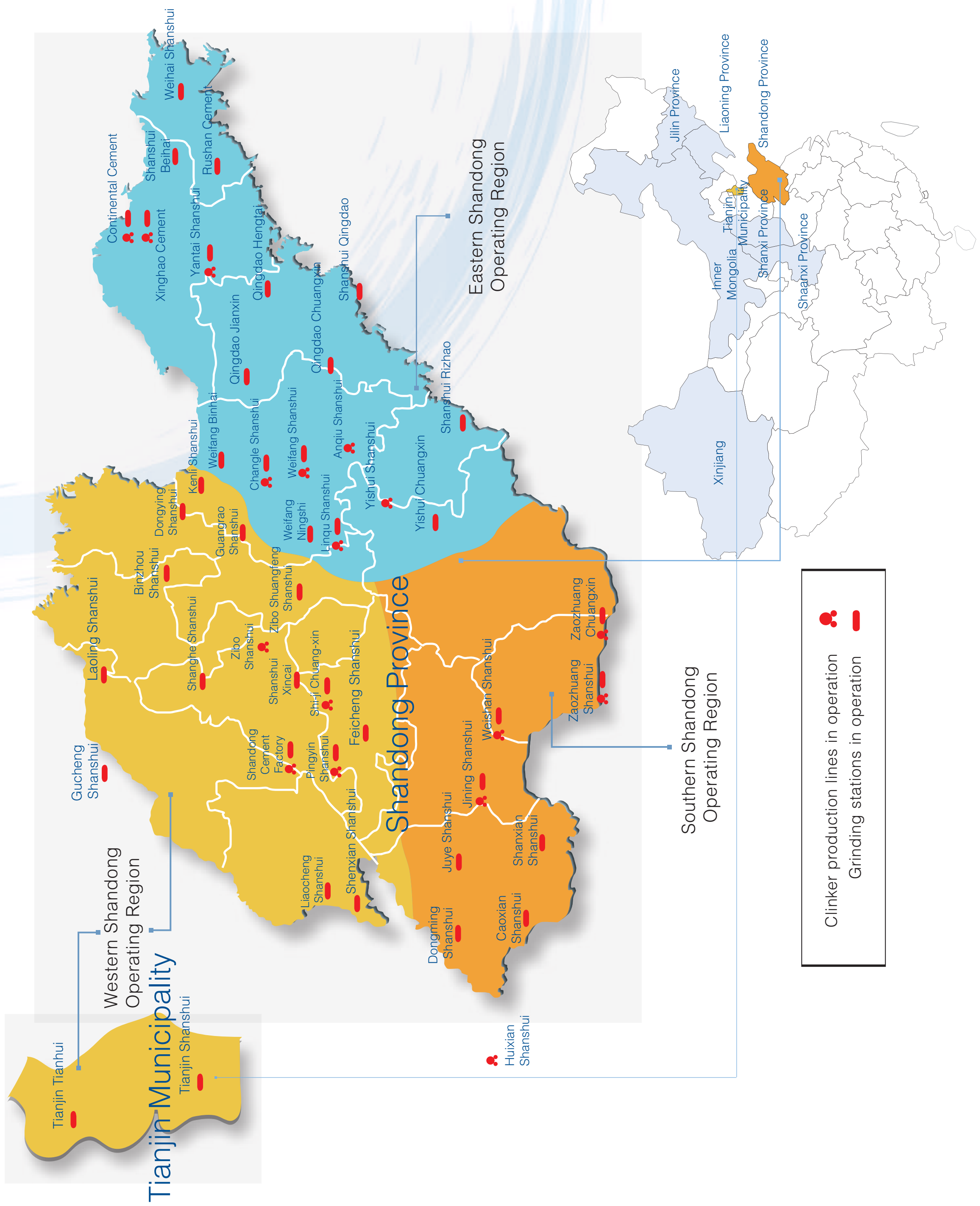
The Group's production facilities are principally located in Shandong Province, Liaoning Province, the Eastern Inner Mongolia, Shanxi Province, Shaanxi Province and Kashi region in Xinjiang Province. Its clinker production facilities are located near limestone mines serving cement grinding stations that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

As of 31 December 2023, the total capacity of cement and clinker of the Group is listed below:

	2023		2022		Change	
	Cement Capacity *('000 tonnes)*	**Clinker Capacity *('000 tonnes)***	Cement Capacity *('000 tonnes)*	Clinker Capacity *('000 tonnes)*	Cement Capacity *('000 tonnes)*	Clinker Capacity *('000 tonnes)*
Shandong Region	**49,630**	**25,572**	48,630	25,676	1,000	(104)
Eastern Shandong Operating Region	**24,270**	**11,752**	23,270	11,756	1,000	(4)
Western Shandong Operating Region	**17,833**	**7,580**	17,833	7,680	0	(100)
Southern Shandong Operating Region	**7,527**	**6,240**	7,527	6,240	0	0
Shanxi Operating Region	**14,950**	**8,640**	12,070	8,640	2,880	0
Northeast China Operating Region	**26,950**	**14,304**	27,250	14,304	(300)	0
Xinjiang Operating Region	**4,000**	**1,600**	4,000	1,600	0	0
Total	**95,530**	**50,116**	91,950	50,220	3,580	(104)

(IV) Corporate Profile (Continued)

Locations of major production facilities in Shandong Region as of 31 December 2023:



(IV) Corporate Profile (Continued)

Eastern Shandong Operating Region

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

(IV) Corporate Profile (Continued)

Western Shandong Operating Region

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

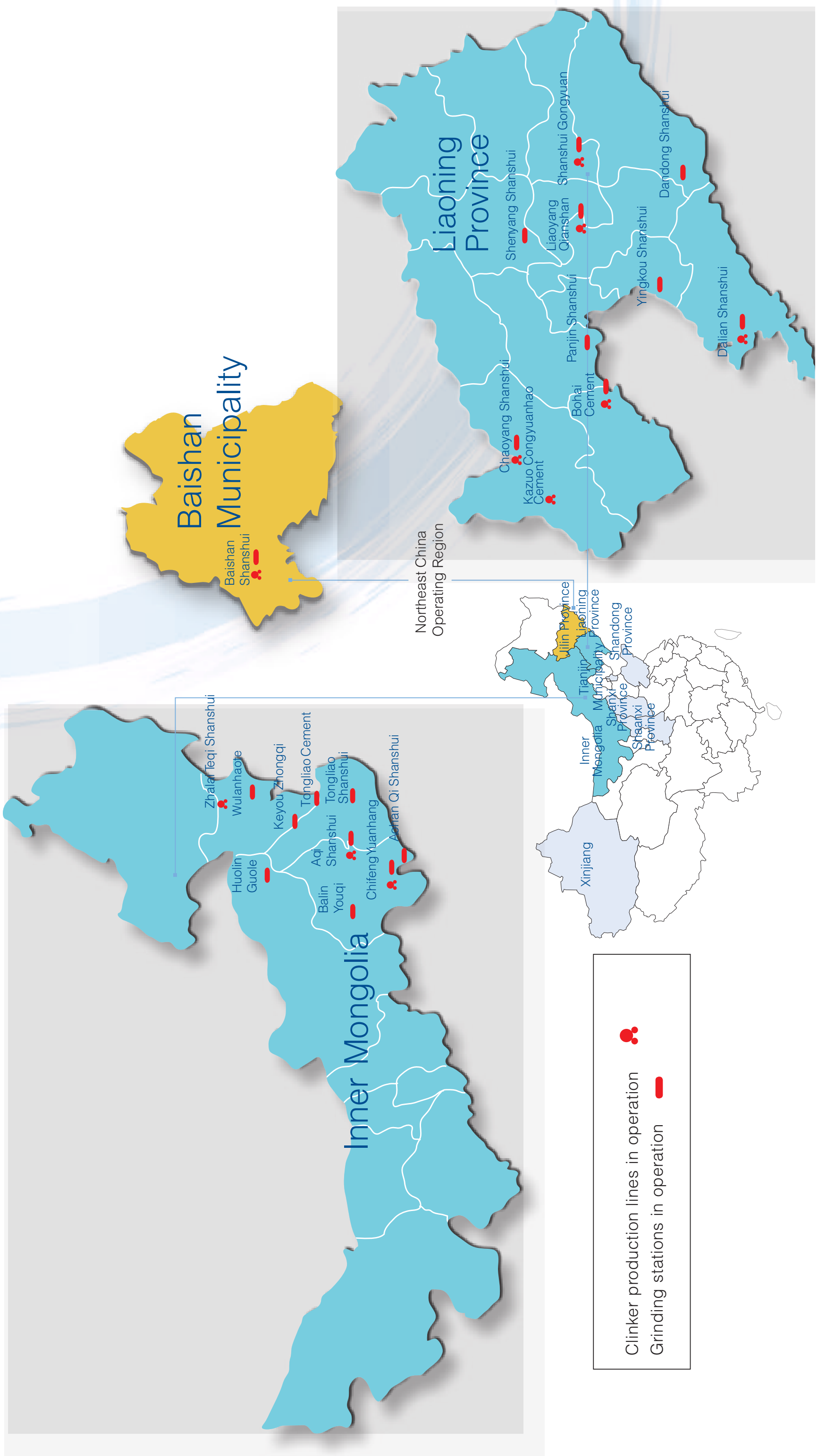
(IV) Corporate Profile (Continued)

Southern Shandong Operating Region

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

(IV) Corporate Profile (Continued)

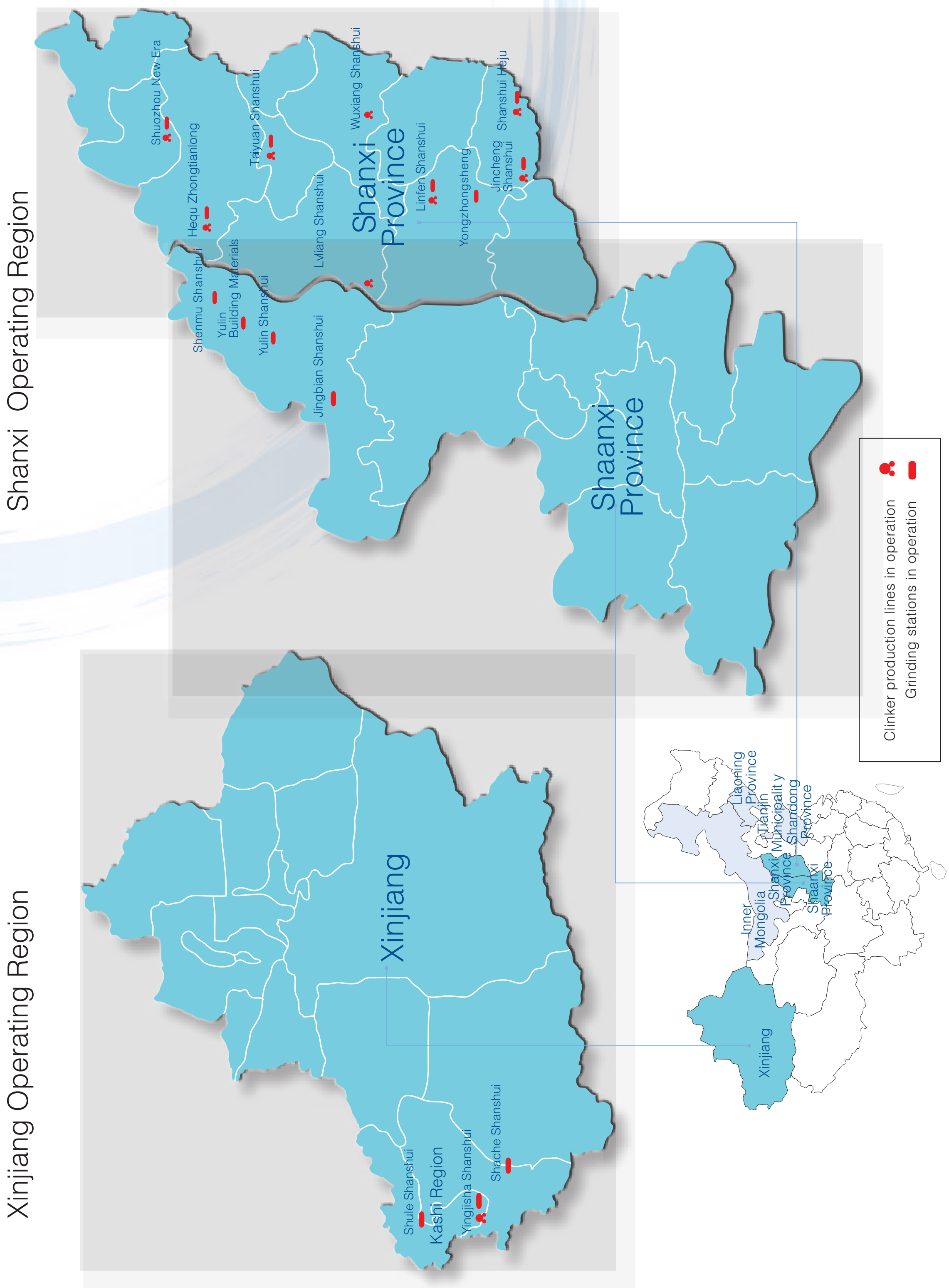
Locations of major production facilities in Northeast China Operating Region as of 31 December 2023:



Northeast China Operating Region

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

Locations of major production facilities in Shanxi and Xinjiang Operating Regions as of 31 December 2023:



Shanxi Operating Region

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

(IV) Corporate Profile (Continued)

Xinjiang Operating Region

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

Others

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

(V) Management Discussion and Analysis

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW

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 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 China 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.

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW (CONTINUED)

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 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, the 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 level 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.

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW (CONTINUED)

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%.

(Source: Digital Cement)

2. RESULTS OF OPERATIONS

Revenue

The sales revenue was RMB18,116,387,000, representing a YOY decrease of 15.7%, with revenue analysis by product as follows:

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

Product	**2023** Sales volume *(thousand tonnes/ thousand cubic meters)*	**2023** Average selling price *(RMB/ tonne) or cubic meter*	**2023** Amount *RMB'000*	**2023** Proportion	2022 Sales volume *(thousand tonnes/ thousand cubic meters)*	2022 Average selling price *(RMB/ tonne) or cubic meter*	2022 Amount *RMB'000*	2022 Proportion
Cement	**52,612**	**270.1**	**14,208,432**	**78.4%**	47,570	360.8	17,161,832	79.9%
Clinker	**10,338**	**216.5**	**2,238,501**	**12.4%**	7,635	306.2	2,337,728	10.9%
Concrete	**3,051**	**366.7**	**1,118,872**	**6.2%**	3,328	421.7	1,403,513	6.5%
Others *(Note)*			**550,582**	**3.0%**	N/A	N/A	585,886	2.7%
Total			**18,116,387**	**100%**			21,488,959	100.0%

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

During the Reporting Period, the Group's external sales volume of cement and clinker increased by 5,042,000 tonnes and 2,703,000 tonnes, respectively, as compared to 2022, representing an increase of 10.6% and 35.4%, respectively, the external sales volume of concrete decreased by 277,000 cubic meters as compared to 2022, representing a decrease of 8.3%. The increase in sales volume of cement for the year was mainly due to the increase in key projects.

During the Reporting Period, the Group's average selling prices of cement, clinker and concrete decreased by RMB90.7, RMB89.7 and RMB55.0, respectively, as compared to 2022, representing a decrease of 25.1%, 29.3% and 13.0%, respectively.

Internal cement sales for the Group's concrete production amounted to 674,161 tonnes in 2023 (2022: 750,033 tonnes), accounting for 1.3% of total cement sales (2022: 1.6%) .

2. RESULTS OF OPERATIONS (CONTINUED)

Revenue (Continued)

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

Product	**2023** Sales volume *('000 tonnes)*	Sales proportion	2022 Sales volume *('000 tonnes)*	Sales proportion	Change in sales volume
High grade cement *(Note)*	**49,093**	**93.3%**	44,427	93.4%	10.5%
Low grade cement	**3,519**	**6.7%**	3,143	6.6%	12.0%

Note: High grade cement refers to products with compressive strength equal to or higher than 42.5 megapascals (MPa).

During the Reporting Period, sales volume of high grade cement was 49,093,000 tonnes, representing a YOY increase of 10.5%, and sales volume of low grade cement was 3,519,000 tonnes, representing a YOY increase of 12.0%.

2. RESULTS OF OPERATIONS (CONTINUED)

Revenue (Continued)

(3) Cement sales volume by region

Region	2023 Sales volume (thousand tonnes/thousand cubic meters)	2023 Average selling price (RMB/ tonne)	2023 Amount RMB'000	2023 Proportion	2022 Sales volume (thousand tonnes/ thousand cubic meters)	2022 Average selling price (RMB/ tonne)	2022 Amount RMB'000	2022 Proportion
Shandong Region	28,637	287.6	8,236,113	58.0%	27,963	388.4	10,860,158	63.3%
Eastern Shandong Operating Region	10,970	296.2	3,249,079	22.9%	11,241	404.4	4,546,026	26.5%
Western Shandong Operating Region	11,794	293.7	3,463,877	24.4%	11,269	393.5	4,434,758	25.8%
Southern Shandong Operating Region	5,873	259.4	1,523,157	10.7%	5,453	344.6	1,879,374	11.0%
Northeast China Operating Region	15,895	228.6	3,632,986	25.5%	12,944	305.1	3,949,244	23.0%
Shanxi Operating Region	6,877	265.5	1,825,811	12.9%	5,670	334.3	1,895,706	11.0%
Xinjiang Operating Region	1,203	426.9	513,522	3.6%	993	459.9	456,724	2.7%
Total	52,612	270.1	14,208,432	100.0%	47,570	360.8	17,161,832	100.0%

2. RESULTS OF OPERATIONS (CONTINUED)

COST OF SALES

(Unit: RMB'000)

Cost of sales	2023 Amount	2023 Proportion to revenue	2022 Amount	2022 Proportion to revenue	Change of proportion to revenue
Raw materials	**5,862,898**	**32.4%**	5,028,805	23.4%	9.0 P.Pt.
Coal	**4,760,030**	**26.3%**	6,066,176	28.2%	-1.9 P.Pt.
Power	**1,463,382**	**8.1%**	1,532,351	7.1%	1.0 P.Pt.
Depreciation and amortisation	**685,590**	**3.8%**	985,546	4.6%	-0.8 P.Pt.
Others	**3,431,880**	**18.9%**	3,976,983	18.5%	0.4 P.Pt.
Total cost of sales	**16,203,780**	**89.4%**	17,589,861	81.9%	7.5 P.Pt.

During the Reporting Period, the proportion of the Group's total cost of sales to revenue was 89.4%, representing a YOY increase of 7.5 percentage points. In particular, the proportion of cost of raw materials, power costs and other costs increased by 9.0, 1.0 and 0.4 percentage points, respectively, and cost of coal as well as depreciation and amortisation decreased by 1.9 and 0.8 percentage points compared with last year.

The increase in materials cost was mainly attributed to the increase in external sales of cement and clinker. In 2023, the average purchase price of coal decreased by approximately 22.0% to RMB965.3/tonne compared with the previous year (RMB1,237.0/tonne). The unit coal consumption per tonne of clinker produced in 2023 decreased to 117.0kg from an average of 122.2kg in 2022. The average coal cost per tonne of clinker produced in 2023 decreased by 25.3% to RMB112.9 from RMB151.2 in 2022 due to the decrease in coal price and the use of alternative fuels. The decrease in cost of electricity was mainly due to the decrease in electricity prices and power consumption for the year. The decrease in depreciation and amortisation costs was mainly ascribed to the decrease in depreciation as a result of the disposal of part of the obsolete production line equipment for the year and decrease in the amortisation amount of mining rights compared to the previous year. Others decreased compared with the previous year, mainly due to the decrease in maintenance and personnel expenses.

2. RESULTS OF OPERATIONS (CONTINUED)

GROSS PROFIT AND GROSS PROFIT MARGIN

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 significant YOY decline 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.

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 loss and recognition of impairment losses on goodwill, property, plant and equipment for the year as compared with the previous year.

Selling and marketing expenses, administrative expenses and finance costs

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

2. RESULTS OF OPERATIONS (CONTINUED)

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

A YOY increase of 33.5% from RMB163,444,000 to RMB218,273,000 was recorded in finance costs, mainly due to the increase in interest expenses as compared with the previous year resulted 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 in 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.

3. FINANCIAL RESOURCE AND LIQUIDITY

As at 31 December 2023, total assets decreased by 2.4% to RMB30,773,414,000 (2022: approximately RMB31,530,193,000), while total equity decreased by 5.3% to RMB18,403,464,000 (2022: approximately RMB19,432,600,000). As at 31 December 2023, the Group's net gearing ratio was approximately 13.5% (2022: 7.1%), calculated based on net debts and total equities as of 31 December 2023 and 31 December 2022. The increase in net gearing ratio was mainly due to the increase in bank loans for the year.

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

As at 31 December 2023, the Group's bank balances and cash, restricted bank deposits and fixed bank deposits are as below:

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
Bank balances and cash	**2,254,037**	2,124,362
Restricted bank deposits	**423,854**	223,473
Fixed bank deposits	**512,481**	–
Total	**3,190,372**	2,347,835

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

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
RMB	**2,691,541**	1,824,354
Hong Kong Dollar ("HK$")	**202,430**	214,357
United States Dollar ("US$")	**296,401**	309,124
Total	**3,190,372**	2,347,835

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Bank loans

Term of borrowings	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Short-term borrowings (including long-term borrowings with maturity within one year)	**4,332,147**	2,780,603
Long-term borrowings	**800,310**	835,000
Total	**5,132,457**	3,615,603

As at 31 December 2023, all borrowings of the Group were denominated in Renminbi. The Group's total borrowings were RMB5,132,457,000, representing an increase of RMB1,516,854,000 as compared with the end of 2022. In particular, short-term borrowings amounted to RMB4,332,147,000 and accounted for 84.4% of the Group's total borrowings. As at 31 December 2023, the balance of unutilised credit facility of the Group approved by the banks amounted to RMB600,000,000. As of the date of this report, the above balance was fully utilised, and the Group will launch new bank loan facility lines subsequently as required.

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

The Group had net current liabilities of RMB2,305,538,000 as at 31 December 2023. Taking into account the cash and bank balances, the expected future internally generated funds, the new banking facilities and other sources of financing to be obtained, the Board believes that the Group will be able to meet its financial obligations when they fall due in the foreseeable future.

For details in relation to the total borrowings of the Company and their interest rates, please refer to the relevant explanation in Notes 24 and Note 33 (b)(iii) to the Financial Statements.

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Capital expenditures

During the Reporting Period, capital expenditures were approximately RMB1,204,341,000, which were mainly used as investment in the new construction and technical transformation of intelligent production, mine resource reserves, cement and clinker production lines. The Group's investment and construction will be mainly financed by working capital obtained from daily operation and part of bank borrowings.

Outstanding capital commitments under production facility construction contracts and the equipment purchase contracts not provided for in the financial statements as at 31 December 2023 were:

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Authorised and contracted for		
—plant and equipment	**1,275,929**	1,457,927
Authorised but not contracted for		
—plant and equipment	**918,370**	1,430,757
Total	**2,194,299**	2,888,684

As of 31 December 2023, the capital commitments authorised and contracted for by the Group amounted to RMB1,275,929,000, which represents a decrease of RMB181,998,000 or 12.5% as compared with the end of 2022. Capital commitments authorised but not contracted for as of 31 December 2023 amounted to RMB918,370,000.

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Net cash flow analysis

	2023	2022
	RMB'000	*RMB'000*
Net cash flow generated from operating activities	**424,228**	2,658,434
Net cash flow used in investing activities	**(1,631,609)**	(2,947,329)
Net cash flow generated from financing activities	**1,310,377**	1,047,726
Net changes in cash and cash equivalents	**102,996**	758,831
Balance of cash and cash equivalents at 1 January	**2,124,362**	1,423,171
Effect of foreign exchange rate changes	**26,679**	(57,640)
Balance of cash and cash equivalents 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 the price of cement 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 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 due to the increase in net inflow of bank loans during the year.

3. FINANCIAL RESOURCE AND LIQUIDITY (CONTINUED)

Material acquisition and disposal of subsidiaries and affiliated companies

Details of the Company's principal subsidiaries and associates are set out in Notes 39 and 19 to the consolidated financial statements. During the Reporting Period, the Company has no other significant acquisitions or sales of subsidiaries and associates, as detailed in Note 19 to the Financial Statements.

Pledge of assets

Details in relation to pledge of assets of the Group as at 31 December 2023 are set out in Note 24 to the Financial Statements.

Contingent liabilities

Details in relation to contingent liabilities of the Group as at 31 December 2023 are set out in Note 35 to the Financial Statements.

Management of foreign exchange exposure

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

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

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

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

4. OUTLOOK FOR 2024

(a) Operating environment outlook

In 2023, under the dual-pressure of cement price's 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 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 the 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 priority and foundation, and more policies that are conducive to stabilising expectations, growth and employment should be introduced.

In terms of real estate sector, China 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 real estate industry may continue to drive the cement demand downward, but to a significantly less 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 the infrastructure construction to make up for the decline despite of 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%.

4. OUTLOOK FOR 2024 (CONTINUED)

(a) Operating environment outlook (Continued)

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 fails 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 the concentration level to adjust the industrial structure, is the key to maintaining the healthy development of the industry in the medium- and long-term.

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 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)

4. OUTLOOK FOR 2024 (CONTINUED)

(b) Business outlook of the Company

The outlook for the cement industry in 2024 is still challenging. 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.

4. OUTLOOK FOR 2024 (CONTINUED)

(b) Business outlook of the Company (Continued)

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.

4. OUTLOOK FOR 2024 (CONTINUED)

(b) Business outlook of the Company (Continued)

Key tasks throughout the year include: (Continued)

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, among other things, contract management and workflow execution, fully leverage the effectiveness of audit supervision, and further enhance the ability to govern enterprises in accordance with the law and regulations.

4. OUTLOOK FOR 2024 (CONTINUED)

(b) Business outlook of the Company (Continued)

Key tasks throughout the year include: (Continued)

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 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.

The Directors are pleased to present the annual report, including the audited consolidated financial statements of the Company for the year ended 31 December 2023:

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of cement, clinker, concrete and related products and services. Details of the principal activities of the principal subsidiaries are set out in Note 39 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

BUSINESS REVIEW

Relating to the details of the material development of the Group in 2023, a fair review of the business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, a description of the principal risks and uncertainties faced by the Group and the outlook of the Group's business are provided under the two sections headed "(IV) Corporate Profile" and "(V) Management Discussion and Analysis" in this annual report. Particulars of important events affecting the Group after 31 December 2023, if any, can also be found in the Notes to the Financial Statements. Each of the above-mentioned relevant contents form an integral part of this Report of the Directors.

ANNUAL RESULTS

The annual results of the Group for the year are set out in the consolidated statement of profit or loss on page 107.

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.

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 Tuesday, 28 May 2024 to Friday, 31 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Monday, 27 May 2024.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set forth in Note 38 to the consolidated financial statements and in the consolidated statement of changes in equity on page 111 of this annual report respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the distributable reserves of the Company, as calculated based on the Companies Law of the Cayman Islands, amounted to RMB2,767,867,000, which includes the share premium account and accumulated losses, details of which please refer to Note 38 to the Financial Statements. No dividend may be paid out of the distributable reserves unless immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

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

DONATIONS

For the year ended 31 December 2023, the Group contributed RMB5,660,000 to charitable and other donations (2022: RMB30,768,000).

PROPERTY, PLANT AND EQUIPMENT

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

TAX REDUCTION AND EXEMPTION

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, total sales attributable to the top five customers of the Group were less than 30% of total sales of the Group, and total purchases attributable to the top five suppliers of the Group were less than 30% of total purchases of the Group.

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

DIRECTORS

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

Name	Position	Gender	Age	Term of office
LI Huibao (李會寶)	Chairman of the Board and Executive Director	M	62	15 December 2021 – Now
WU Ling-ling (吳玲綾)	Executive Director	F	58	23 May 2018 – Now
HOU Jianguo (侯建國)	Executive Director	M	62	29 May 2021 – Now
CHANG Ming-cheng (張銘政)	Independent Non-Executive Director	M	69	23 May 2018 – Now
LI Jianwei (李建偉)	Independent Non-Executive Director	M	50	23 May 2018 – Now
HSU You-yuan (許祐淵)	Independent Non-Executive Director	M	69	4 September 2018 – Now

CONFIRMATION OF INDEPENDENCE

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

PERMITTED INDEMNITY

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

AUDITOR

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

COMPETING BUSINESS

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

MANAGEMENT CONTRACTS

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

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

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

EQUITY-LINKED AGREEMENT

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

AMENDMENTS TO MEMORANDUM AND ARTICLES OF ASSOCIATION

During the Reporting Period, the Company has adopted the Articles of Association by special resolution passed on 25 May 2023, which is available for viewing on the websites of the Company and the Stock Exchange. For further details, please refer to the announcements published by the Company on 15 March 2023 and 25 May 2023.

CHANGES IN INFORMATION OF DIRECTORS

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

1. With effect from 1 March 2023, Ms. WU Ling-ling has served as a director of U-Ming Marine Transport Corporation, the shares of which are listed on the Taiwan Stock Exchange Corporation (stock code: 2606).

2. With effect from 8 March 2023, Mr. CHANG Ming-cheng ceased to be the independent director and was appointed as the chairman of the Board of Medigen Vaccine Biologics Corporation, the shares of which are listed on the Taiwan Stock Exchange Corporation (stock code: 6547).

ISSUE OF SHARES AND DEBENTURES

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

CONNECTED TRANSACTIONS

Save as disclosed in this section, all of the related party transactions as set out in Note 37 to the Financial Statements do not constitute connected transactions under the Listing Rules. The Company has complied with the relevant requirements under Chapter 14A of the Listing Rules as applicable to the Company.

Continuing Connected Transactions

The connected transactions entered into between the Company and China National Building Material Group Co., Ltd. ("**CNBMG**"), one of the substantial shareholders of the Company, as set out in this section below constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules for the year ended 31 December 2023, the summary of which is as follows:

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

(a) Mine Development Services Framework Agreement;

(b) Cement Production Equipment and Supplies Framework Agreement;

(c) Engineering and Technical Services Framework Agreement; and

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

The Framework Agreements govern all existing contracts between the Company's group companies and CNBMG's group companies (or affiliates, as the case may be) on the relevant category of continuing connected transactions. All new continuing connected transactions between the Company's group companies and CNBMG's group companies (or affiliates, as the case may be) are carried out pursuant to the terms of such Framework Agreements and in compliance with the relevant requirements for continuing connected transactions under Chapter 14A of the Listing Rules. Please refer to the announcement dated 21 April 2023 and the circular dated 2 May 2023 published by the Company for details.

CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions (Continued)

The amounts and annual limits of the transactions between Company's group companies and CNBMG's group companies or affiliates under the Framework Agreements for the year ended 31 December 2023 are described as follows.

(Unit: RMB'000)

Type	Transaction amount	Proposed annual caps in respect of the transactions under the Framework Agreements
Mine Development Services	601,721	748,370
Cement Production Equipment and Supplies	15,998	40,000
Engineering and Technical Services	296,011	788,807
Clinker and Cement Transactions	57,508	300,000

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

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

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

CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions (Continued)

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

a. entered into in the ordinary and usual course of business of the Group;

b. on normal commercial terms or better; and

c. conducted in accordance with the agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

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

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

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

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

CONNECTED TRANSACTIONS (CONTINUED)

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

As of 31 December 2023, the Group borrowed RMB1.635 billion in aggregate on an interest-free basis from Tianrui Group which was mainly used to settle certain debts, including:

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

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

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

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

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

As of 31 December 2023, outstanding borrowings of the Company from Tianrui Group was RMB909 million.

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

MAJOR EVENTS

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

On behalf of the Board
China Shanshui Cement Group Limited
LI Huibao
Chairman

15 March 2024

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

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

As of 31 December 2023, the Company's authorised share capital was US$100,000,000 divided into 10,000,000,000 Shares of par value of US$0.01 each.

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

As of 31 December 2023, the Company has issued a total of 4,353,966,228 Shares.

2. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

(1) Shareholdings of substantial shareholders

As of 31 December 2023, the interests or short positions of persons, other than the Directors and Chief Executive of the Company, in the Shares and underlying shares of the Company, which would be required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register maintained under section 336 of the SFO, were as follows:

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

2. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

(1) Shareholdings of substantial shareholders (Continued)

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

Notes:

(1) The letter "L" denotes a long position in such Shares.

(2a) LI Liufa and LI Fengluan (spouse of LI Liufa) owned 70% and 30% respectively of Tianrui Group, which owned 100% of Tianrui.

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

(3) According to the Form 2 filed on 18 November 2014, ZHANG Caikui is the person in accordance with whose directions China Shanshui Investment Company Limited or its directors are accustomed to act.

(4) The interest in 428,393,000 shares of the Company was held by several direct or indirect subsidiaries of Asia Cement Corporation. The interest in 142,643,000 shares of the Company was held by Yu Yuan Investment Corporation Limited, which is the party to the agreement under Section 317.

(5) ACC is the party to the agreement under Section 317.

(6) CNBM was a controlled corporation of China National Building Material Group Corporation Co., Ltd. (中國建材集團有限公司), which owned 100% of China Building Material Holdings Co., Limited.

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

(8) The number of issued shares of the Company as at 31 December 2023 was 4,353,966,228.

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

2. SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

(1) Shareholdings of substantial shareholders (Continued)

Save as disclosed above, and so far as the Directors are aware, as at 31 December 2023, no person, other than Directors or the Chief Executive of the Company, had an interest or short position in the Shares or underlying shares of the Company which would need to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register maintained pursuant to Section 336 of the SFO.

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

As of 31 December 2023, none of the Directors or the chief executives of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, which would be required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules.

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

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

4. SHARE OPTION SCHEME

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

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

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

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

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

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

Out of the options to subscribe for 163,700,000 Shares granted on 27 January 2015, 73,400,000 share options were lapsed in accordance with the terms of the Share Option Scheme and therefore will not be counted for the purpose of the Existing Scheme Mandate Limit pursuant to Note 1 to Rule 17.03(3) of the Listing Rules.

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

4. SHARE OPTION SCHEME (CONTINUED)

Accordingly, taking into account all the options granted and conditionally granted, the outstanding Existing Scheme Mandate Limit as of the date of this report is 170,036,000 Shares, representing approximately 65.31% of the Existing Scheme Mandate Limit and approximately 3.91% of the share capital in issue (4,353,966,228 Shares) as of the date of this report.

The Shares that will be issued upon full exercise of the options currently granted under the Share Option Scheme are 90,300,000 Shares, representing approximately 2.07% of the share capital in issue (4,353,966,228 Shares) of the Company as of 31 December 2023.

Details of the options are set out as follows:

					Number of Share Options				
Type of Grantee	Date of Grant	Vesting period	Exercise period	Exercise price	Outstanding as at 1 January 2023	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at 31 December 2023
Other employee participants[1]	25 May 2011	Nil	25 May 2011 – 24 May 2021	HK$7.90	–	–	–	–	–
Other employee participants[1]	27 January 2015	Six months after the date of grant	27 July 2015 – 26 January 2025	HK$3.68	90,400,000	–	(100,000)	–	90,300,000
					90,400,000	–	(100,000)	–	90,300,000

Note:

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

Summary of the principal terms of the Share Option Scheme

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

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

4. SHARE OPTION SCHEME (CONTINUED)

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

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

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

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

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

However, as the Share Option Scheme expired on 4 July 2018, no further options will be granted by the Company.

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

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

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

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

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

5. PRE-EMPTIVE RIGHTS

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

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

1. AS OF THE DATE OF THIS REPORT

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

Name	Position	Gender	Age	Term of office
LI Huibao (李會寶)	Chairman of the Board and Executive Director	M	62	15 December 2021 – Now
WU Ling-ling (吳玲綾)	Executive Director	F	58	23 May 2018 – Now
HOU Jianguo (侯建國)	Executive Director	M	62	29 May 2021 – Now
CHANG Ming-cheng (張銘政)	Independent Non-Executive Director	M	69	23 May 2018 – Now
LI Jianwei (李建偉)	Independent Non-Executive Director	M	50	23 May 2018 – Now
HSU You-yuan (許祐淵)	Independent Non-Executive Director	M	69	4 September 2018 – Now

(2) Biography of Directors and senior management

(a) Executive Directors

Mr. LI Huibao, aged 62, has been an Executive Director of the Company since 15 December 2021. He is the chairman of the Board and the Environmental, Social and Governance Committee and concurrently holds directorship in the subsidiaries of the Company, including Pioneer Cement and China Shanshui (Hong Kong). Mr. LI has been the chairman of Shandong Shanshui Financial Leasing Co., Ltd., a subsidiary of the Company, since November 2019. From December 1998 to March 2000, Mr. LI served as the secretary of the party committee of Tangwang Town, Licheng District, Jinan City. From March 2000 to August 2004, he served as the deputy director and a member of the party committee of the Forestry Bureau of Jinan City (from July 2001 to August 2004, he successively served as the assistant to the commissioner of Shigatse Area and the secretary of the Party Committee of Bailang County). Subsequently, Mr. LI served as the deputy director and the deputy secretary of the Party Committee (director level) of Jinan Grain Bureau from August 2004 to December 2005, the director and the secretary of the Party Committee of Jinan Grain Bureau from December 2005 to March 2012, the director and the secretary of the Party Committee of Jinan Economic and Information Technology Commission from March 2012 to April 2017, the executive deputy secretary of the Political and Legal Committee and the director of the Municipal Comprehensive Administration Office of Jinan from April 2017 to July 2019, and the president of Shandong Shanshui, a subsidiary of the Company, from July 2019 to March 2022. Mr. LI obtained a master's degree in business administration from Tsinghua University in 2006 and a doctorate degree in management from Tianjin University in 2013.

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

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

(a) Executive Directors (Continued)

Ms. WU Ling-ling, aged 58, has been an Executive Director of the Company since 23 May 2018 and is a member of both the Nomination Committee and the Environmental, Social and Governance Committee of the Board as well as the director of various subsidiaries of the Company, including Pioneer Cement, China Shanshui (HK), Shandong Shanshui, etc. Ms. WU has more than 30 years of experience related to financial executive and management in working with international public accounting, manufacturing, telecommunications and internet service provider firms. Since July 2007, Ms. WU has served as the chief financial officer and executive vice president of ACC, a limited liability company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation (stock code: 1102), and has been appointed as the director of ACC since 27 June 2023. Since 1 March 2023, Ms. WU has served as a director of U-Ming Marine Transport Corporation (whose shares are listed on the Taiwan Stock Exchange Corporation (stock code: 2606)). Ms. WU serves as a director and supervisor for more than 30 companies over the years including being a former supervisor and member of the board of directors of Oriental Union Chemical Corporation (stock code: 1710), a company listed on the Taiwan Stock Exchange Corporation and a supervisor and director of Jia Hui Power Corporation, a subsidiary of Asia Cement. Ms. WU was an Executive Director of the Company from 14 October 2015 to 1 December 2015. Ms. WU has served as an executive director of Asia Cement (China) Holdings Corporation (whose shares are listed on the Main Board of the Stock Exchange (stock code: 743)) since 14 April 2016. From June 2001 and July 2004, Ms. WU served as the vice president of Audit Department and Corporate Controller of Far EasTone Telecommunications Co., Ltd., also a listed affiliate of FEG. She had served in diverse positions since joining the firm in June 2001. Ms. WU has financial expertise in mergers and acquisitions, working capital management, process control, and regulatory accounting and reporting. She specializes in supporting corporate strategy including streamlining, controllership, and growth initiatives. She has been successful in leading both corporate turnarounds and rapid growth expansion through two initial public equity offerings and multiple acquisitions. Ms. WU is a Certified Public Accountant registered in the United States of America and Taiwan. She received a master of business administration degree having majored in accounting from the California State University, Los Angeles and a master of business administration degree from National Zhengzhi University in Taipei.

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

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

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

(a) Executive Directors (Continued)

Mr. HOU Jianguo, aged 62, has been an Executive Director of the Company since 29 May 2021 and is a member of both the Environmental, Social and Governance Committee and the Nomination Committee of the Board. Mr. HOU served as a director of China Shanshui Investment Company Limited. He also served as director and chief accountant of Jinan Industrial Development Investment Group Co., Ltd (濟南產業發展投資集團有限公司) from May 2017 to May 2022.

He served as the chairman of Jinan committee of the Jiusan Society and a member of the Standing Committee of CPPCC in Jinan. He was granted the title of senior accountant by the Shandong Senior Assessment Committee for Qualification in Accounting in January 2003.

He graduated from economic management major of the postgraduate class for on-the-job cadres of the Party School of Shandong Committee of the Communist Party of China in June 2008 and graduated from the finance and taxation major of Finance School of Shandong Province (山東省財政學校) in July 1984.

(b) Independent Non-Executive Directors

Mr. CHANG Ming-cheng, aged 69, has been an Independent Non-Executive Director of the Company since 23 May 2018 and is the chairman of the Audit Committee and member of the Environmental, Social and Governance Committee, the Remuneration Committee and the Nomination Committee of the Board. Mr. CHANG received a bachelor degree in mechanical engineering from Taiwan University in 1976 and a master degree in business administration from the University of Michigan in 1978. He passed the U.S. Uniform Certified Public Accountant Examination in May 1978. After working in the United States for one year, he returned to Taiwan in 1979 and joined Deloitte & Touche Taiwan, and became an audit partner in 1990. Between September 1994 and August 1996, he was seconded to Shanghai and involved in the B share listing of Huangshan Tourism Development Co.,Ltd. and Anhui Gujing Distillery Company Limited. As an experienced auditor, he had a high level of participation in merger and acquisition activities in the PRC and Taiwan. Since June 2007, he assumed the role of reputation and risk leader at Deloitte & Touche Taiwan and was responsible for its overall quality of services and risk management till his retirement in October 2014. Mr. CHANG was an Executive Director of the Accounting Research and Development Foundation and the chairman of the Auditing Standards Committee of Taiwan from April 2011 to March 2020. Currently, Mr. CHANG also serves as an independent director of both Alexander Marine Co., Ltd. (東哥企業股份有限公司) and United AlloyTech Company Ltd. (精確實業股份有限公司), as well as the chairman of the board of directors of Medigen Vaccine Biologics Corporation (高端疫苗生物製劑股份有限公司), all being Taiwanese listed companies. He has been appointed as a supervisor of the Ship and Ocean Industries R&D Center (船舶暨海洋產業研發中心) since January 2019.

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

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

(b) Independent Non-Executive Directors (Continued)

Mr. LI Jianwei, aged 50, has been an Independent Non-Executive Director of the Company since 23 May 2018 and is the chairman of the Remuneration Committee, a member of the Environmental, Social and Governance Committee, the Nomination Committee and the Audit Committee of the Board. Mr. LI is a Juris Doctor, a professor of Commercial Law at China University of Political Science and Law and a supervisor of doctoral students. He also serves as the director of Department of Law and Commerce of Business School, chairman of Academic Committee of Business School, as well as the secretary general of the Commercial Law Research Society of China Law Society. His main research areas include, among others, civil and commercial law, corporate law, securities law, corporate governance, etc. He is a well-known young and middle-aged company law expert in China who has made outstanding achievements in the research of a broad range of commercial laws including company law, securities law, insurance law, investment fund law and trust law, etc. He worked as a post-doctoral researcher at the Business School of the Renmin University of China from 2002 to 2004, a senior visiting scholar at the Law School of University of The New South Wales, Australia from 2008 to 2009 and a visiting professor at the Law School of The Aoyama Gakuin University in Japan from 2013 to 2015. His past positions also include the executive director and secretary general of the Commercial Law Research Society of China Law Society, executive director of China Association of Business Law, member of the 1st, 2nd and 3rd Hong Kong and Macau Law Committee of Zhuhai Hengqin New Area, member of Expert Advisory Committee of courts such as Guangzhou Intermediate People's Court, and arbitrator of arbitration committees in Beijing, Fuzhou, Changsha, Guangzhou, Zibo, Beihai, Ordos and, Zhuhai, etc. He has been in charge of more than 10 national and provincial level projects, including a chief specialist of significant projects under the National Social Science Fund of China, youth research project under the National Social Science Fund of China, the Humanities and Social Science Fund of the Ministry of Education, rule of law theory projects of the Ministry of Justice and social science projects under Beijing Social Science Fund, etc and China International Economic and Trade Arbitration Commission. He has been in charge of the Youth Research Innovation Team Project of Commercial Law in China University of Political Science and Law for 6 years from 2012 to 2018. He has published more than 200 academic papers in publications such as China Legal Science, Journal of Law and Xinhua Digest, and published more than 10 books and translated works including "A Study of Independent Directors", "Corporate Mechanism, Corporate Management and Corporate Governance" and "Company Law". He has won many awards for research excellence such as the second prize in Dong Biwu Youth Law Achievement Award and the third prize in the 4th China Law Outstanding Achievement Award. As a legal expert, he has successively participated in expert argumentation of a number of legislative and judicial interpretation documents, including, among others, General Principles of Civil Law, Civil Code – Contracts, Company Law, Electronic Commerce Law and Company Law Interpretation (3) (4). He has won the Outstanding Teacher Award of 2011 and Excellent Teacher Award of 2007, 2009, 2010, 2016 of the China University of Political Science and Law. He has been awarded as one

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

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

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

(b) Independent Non-Executive Directors (Continued)

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

Mr. HSU You-yuan, aged 69, has been an Independent Non-Executive Director of the Company since 4 September 2018 and is the chairman of the Nomination Committee and a member of the Environmental, Social and Governance Committee, the Audit Committee and the Remuneration Committee of the Board. Mr. HSU has been the chairman and president of DCH Solargiga GmbH since February 2018 and a non-executive director of Solargiga Energy Holdings Limited ("Solargiga Energy") (Stock Code: 757) since June 2016. Before that, he served as an executive director from 2007 to 2016 and the chief executive officer in year 2015 of Solargiga Energy. He served as the vice-chairman of Water Works Corp. ("WWX") (Stock Code: 6182.TWO), which is a manufacturer of silicon wafer for the semiconductor industry, from 2003 to 2007 and served as the managing director of WWX from 1998 to 2003. Mr. HSU's previous work credentials also include acting as deputy general manager of Mosel Vitelic Inc., a company listed on the Taiwan Stock Exchange with stock code 2342 and as a member of the board of directors and executive vice-president of Mosel Vitelic (Hong Kong) Limited, a subsidiary of Mosel Vitelic Inc. Mr. HSU had also made contributions to non-commercial sectors in the past. He served as a researcher, a deputy director, and the director of business department of the Executive Yuan Development Fund of Taiwan (Executive Yuan Development Fund is now known as National Development Fund, Executive Yuan). He was also a lecturer of Statistics and Managerial Mathematics for the business administration department at the Chinese Culture University and published the Supply and Demand Models of Cement in Taiwan in the Taiwan Economy (Issue 59 of 1981) of the Economic Planning and Mobilization Council Taiwan Provincial Government. Mr. HSU obtained his bachelor's degree in Statistics from National Cheng Kung University in 1978 and his master's degree in International Business Administration from Chinese Culture University in 1980.

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

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

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

(c) Senior management

Mr. Zhang Jiwu, aged 53, has served as a director and president of Shandong Shanshui since December 2021 and March 2022, respectively. Mr. Zhang has nearly thirty years of experience in the industry. He has successively served as a deputy manager, manager of the administration department, director of the Party Committee office, director of logistics dispatch center, director of material management department, assistant to the general manager, deputy general manager of the marketing company of China United Cement Lunan Co., Ltd.; general manager of the administration and human resources department, chief administrative officer and general manager of the administration department, general manager of the human resources department of China United Cement Corporation (中國聯合水泥集團有限公司) from March 2008 to March 2010; the head of the office of China National Building Material Group Corporation (中國建築材料集團有限公司) from March 2010 to August 2016; the head of the office of China National Building Material Group Corporation Co., Ltd. (中國建材集團有限公司) from August 2016 to November 2019; vice president of Shandong Shanshui from January 2019 to March 2022; director of China Materials Energy Saving Co., Ltd. (中材節能股份有限公司). Mr. Zhang obtained his master's degree in business administration from Nankai University in 2009.

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

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

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

(d) Company secretary

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

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

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

Except as stated in item 1, during the Reporting Period, none of the Directors or senior management has been appointed or retired.

3. SERVICE CONTRACTS OF DIRECTORS

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

For the year ended 31 December 2023, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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

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

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

5. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT FOR THE YEAR

Please refer to Notes 11, 12 and 37(c) to the Financial Statements for details of the remuneration of Directors and senior management of the Group during the Reporting Period.

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

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

6. HIGHEST PAID INDIVIDUALS

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

7. HUMAN RESOURCES

As at 31 December 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. Please refer to Note 9(b) to the Financial Statements for details of the Group's personnel expenses such as salaries and benefits during the Reporting Period.

(IX) Report on Corporate Governance

CORPORATE GOVERNANCE CULTURE

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

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining good corporate governance standards.

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

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

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

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

Chairman and Chief Executive Officer

According to Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive 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 (the "**Model Code**") as set out in Appendix C3 to the Listing Rules. Having made specific inquiries to all Directors, all Directors confirmed that they have complied with the Model Code throughout the Reporting Period.

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

BOARD OF DIRECTORS

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

Board Composition

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

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

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

BOARD OF DIRECTORS (CONTINUED)

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

Executive Directors
Mr. LI Huibao *(appointed on 15 December 2021 as Chairman)*
Ms. WU Ling-ling *(appointed on 23 May 2018)*
Mr. HOU Jianguo *(appointed on 29 May 2021)*

Independent Non-Executive Directors
Mr. CHANG Ming-cheng *(appointed on 23 May 2018)*
Mr. LI Jianwei *(appointed on 23 May 2018)*
Mr. HSU You-yuan *(appointed on 4 September 2018)*

Save as disclosed above, there is no relationships (including financial, business, family or other material/relevant relationship(s)) between the Board members.

Board Meetings

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

Apart from regular Board meetings, the Chairman did not hold meeting with Independent Non-Executive Directors without the presence of other Directors during the Reporting Period.

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.

BOARD OF DIRECTORS (CONTINUED)

Directors' Attendance Records at Board Meetings and General Meetings

During the Reporting Period, the Board held 14 meetings and the Directors' attendance records are as follows:

Name of Directors	Attendance during the Reporting Period
Executive Directors:	
Mr. LI Huibao	14/14
Ms. WU Ling-ling	14/14
Mr. HOU Jianguo	14/14
Independent Non-Executive Directors:	
Mr. CHANG Ming-cheng	14/14
Mr. LI Jianwei	14/14
Mr. HSU You-yuan	14/14

During the Reporting Period, two general meetings were held and the Directors' attendance records are as follows:

Name of Directors	Attendance during the Reporting Period
Executive Directors:	
Mr. LI Huibao	2/2
Ms. WU Ling-ling	2/2
Mr. HOU Jianguo	2/2
Independent Non-Executive Directors:	
Mr. CHANG Ming-cheng	2/2
Mr. LI Jianwei	2/2
Mr. HSU You-yuan	2/2

BOARD OF DIRECTORS (CONTINUED)

Chairman and Chief Executive Officer

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

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

Code Provision C.2.1 stipulates that the roles of chairman and chief Executive Officer should be separate 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).

BOARD OF DIRECTORS (CONTINUED)

Independent Non-Executive Directors

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

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

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

Board Independence

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

The Company has established a Board Independence Evaluation Mechanism during the year which sets out the processes and procedures to ensure Board independence and enables the Board to exercise independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance-for instance, addressing individual training and development needs of each Director.

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

During the year ended 31 December 2023, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

BOARD OF DIRECTORS (CONTINUED)

Appointment and Re-election of Directors

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

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

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

BOARD COMMITTEES

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

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

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

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

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

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

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

BOARD COMMITTEES (CONTINUED)

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

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

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

Continuous Professional Development of Directors

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

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

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

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

BOARD COMMITTEES (CONTINUED)

Continuous Professional Development of Directors (Continued)

The individual training record of each existing Director received for year ended 31 December 2023 is set out as follows:

Directors	Type of Training Note
Executive Directors	
Mr. LI Huibao	A and B
Ms. WU Ling-ling	A and B
Mr. HOU Jianguo	B
Independent Non-Executive Directors	
Mr. CHANG Ming-cheng	A
Mr. LI Jianwei	A and B
Mr. HSU You-yuan	B

Note:

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES (CONTINUED)

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

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

Audit Committee

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

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

– to monitor the independence of external auditors, the financial reporting process and effectiveness of the risk management and internal control system; and

– to perform the following tasks as set out in Code Provision A.2.1 of the Corporate Governance Code:

(1) to develop and review the Company's policies and practices on corporate governance;

(2) to review and monitor the training and continuous professional development of directors and senior management;

(3) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(4) to review and monitor the code of conduct and compliance manual of employees and directors; and

(5) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

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

BOARD COMMITTEES (CONTINUED)

Audit Committee (Continued)

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

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

The results of the Group for the Reporting Period were reviewed by the Audit Committee at the meeting held on 12 March 2024. At such meeting, the Audit Committee considered and approved the audited financial statements of the Company for the Reporting Period prepared in accordance with IFRS and the internal audit report.

During the Reporting Period, the Audit Committee held 8 meetings and the attendance records of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	**Attendance during the Reporting Period**
Mr. CHANG Ming-cheng	8/8
Mr. LI Jianwei	8/8
Mr. HSU You-yuan	8/8

Remuneration Committee

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

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

BOARD COMMITTEES (CONTINUED)

Remuneration Committee (Continued)

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

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

Remuneration (RMB)	Number of Individuals
Nil to RMB1,000,000	4
RMB1,000,001 to RMB2,000,000	1
RMB2,000,001 to RMB3,000,000	2
RMB3,000,001 to RMB4,000,000	1

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

During the Reporting Period, the Remuneration Committee held 7 meetings and the attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance during the Reporting Period
Mr. LI Jianwei	7/7
Mr. CHANG Ming-cheng	7/7
Mr. HSU You-yuan	7/7

BOARD COMMITTEES (CONTINUED)

Nomination Committee

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

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

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

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

During the Reporting Period, the Nomination Committee has reviewed the Board Diversity Policy and Director Nomination Policy as well as the nomination procedures and selection and recommendation standards for candidates of Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

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

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

BOARD COMMITTEES (CONTINUED)

Director Nomination Policy

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

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

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

Appointment of New Director

(i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

(ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

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

BOARD COMMITTEES (CONTINUED)

Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

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

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

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

During the year ended 31 December 2023, there was no change in the composition of the Board.

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

BOARD COMMITTEES (CONTINUED)

Board Diversity Policy

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

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

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

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

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

Gender
Male: 5 Directors
Female: 1 Director

Designation
Executive Directors: 3 Directors
Independent Non-executive Directors: 3 Directors

Nationality
Chinese: 6 Directors

Age Group
41–50: 1 Director
51–60: 1 Director
61–70: 4 Directors

Educational Background
Business Administration: 2 Directors
Account and Finance: 3 Directors
Legal: 1 Director

Business Experience
Accounting & Finance: 3 Directors
Legal: 1 Director
Experience related to the Company's Business: 2 Directors

BOARD COMMITTEES (CONTINUED)

Board Diversity Policy (Continued)

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

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

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

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group as at 31 December 2023:

	Female	**Male**
Board	16.67%	83.33%
Overall workforce (including senior management)	24.28%	75.72%

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

The Group belongs to the manufacturing industry, and due to industry characteristics, the proportion of male employees is relatively high. However, the Group implements the principle of equal employment, respects and treats employees of different genders fairly, and provides equal opportunities for employees in terms of recruitment, training and development, job promotion and salary and benefits. We will continue to strive to improve the representation of women and to achieve the right balance of gender diversity, taking into account the expectations of our shareholders and the recommended best management.

BOARD COMMITTEES (CONTINUED)

Environmental, Social and Governance Committee

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

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

1) assisting and managing the Group's environmental, social and governance ("**ESG**") and climate-related matters and reporting any significant matters to the Board;

2) directing and formulating the Company's ESG vision, goals, strategies and structures, as well as reviewing and monitoring the Company's ESG and climate change strategies, policies and practices to ensure that they are aligned with the Company's needs and international standards and comply with applicable laws, regulations and supervisory requirements;

3) identifying and prioritizing the Company's major ESG risk issues and making recommendations to the Board;

4) establishing risk management and internal control systems, such as ESG and climate change policies and programs, to manage and mitigate ESG and climate change-related risks;

5) establishing the Company's ESG and climate change management performance goals and reviewing progress against them, as well as making recommendations to improve performance; and

6) reviewing and approving the annual ESG report.

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

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

BOARD COMMITTEES (CONTINUED)

Corporate Governance Functions

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

During the year, the Audit Committee met 8 times to review the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

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

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM ON OPERATIONS

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM ON OPERATIONS (CONTINUED)

(2) Equipment management: The Group has established an equipment examination and process overhaul system. The overhaul of equipment of subsidiaries is carried out by themselves after approval, and acceptance is also implemented by themselves. The Production Management Department of the Group collaborates with various operational areas to remotely monitor data on the operation of equipment to prevent equipment breakdown and accident.

(3) Quality control: The Group enforces national quality standards and implements comprehensive quality control. The Laboratory of the Development and Technology Department is responsible for quality random inspection and new product research and development of the subsidiaries.

(4) Financial management: The Group maintains a budgetary system, formulates a set of unified financial management procedures and supervises the financial manager appointment procedures to ensure their independence. It also implements a centralized funding management system. All financing activities are approved by the Group's headquarters and financing sources are arranged on unified channels. The Group implements a strict funding approval procedure. The Group's Treasury Department supervises the use of fund through the funding settlement centre to prevent funding risks.

(5) Material procurement management: The Group has established a set of material procurement procedures to implement unified bidding procedures and to make purchases by comparing quality and prices for coal, spare parts, supplies and equipment. The Group has also established a supplier management system to strengthen the management of suppliers through regular and irregular assessments to achieve the elimination of the best and the worst. In addition, the Group and its subsidiaries control material procurement risks by monitoring quality, price, inventory and payment through the "one vehicle one inspection, one vehicle one settlement" system for raw materials, and the intelligent storage management system for spare parts.

(6) Sales management: The Group implements unified policies for regional market development, pricing and product sales, and has been carrying out a "cash before delivery" selling a policy to non-major ordinary customers. The Marketing Centre of the Group monitors invoicing, goods delivery and pricing of its subsidiaries through the intelligent sales system, and collects market information and customer feedbacks to improve the product quality and sales service.

(7) Project investment management: The Group formulates medium-to-long-term development strategic plans and submits results for approval by the Board before implementation. For construction projects, the Engineer Department at the Group's headquarters carries out project design. The Strategic Department conducts project review, organises project plan demonstration, organises budget review and project supervision; the Procurement Management Department organises a full range of tenders for project design, construction and equipment; the operational areas organises project construction management and production debugging; and the Audit Department performs engineering process audits and final accounts audits.

(8) Human resources management: The Group maintains policies and procedures for labour contract management, employment, work and rest, performance appraisal, rewards and punishment, and has developed staffing and wage standards on a unified basis for its subsidiaries. The Human Resources Department of the Group has implemented supervision to control employment risks, which is managed by the operational areas and executed by the subordinate companies. The Group implements a unified talent development plan.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM ON OPERATIONS (CONTINUED)

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

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

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

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

INSIDE INFORMATION

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023.

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

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the Financial Statements is set out in the Independent Auditors' Report on pages 101 to 106.

AUDITORS' REMUNERATION

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

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2023 amounted to RMB5,800,000 and RMB860,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company, Moore CPA Limited, in respect of audit services and non-audit services for the year ended 31 December 2023 is set out below:

Service Category	**Total Fees (Paid and Payable)** *(RMB'000)*
Audit services	5,800
Non-audit services	
– Agreed-upon procedures of 2023 interim report	860
	6,660

COMPANY SECRETARY

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

SHAREHOLDERS' RIGHTS (CONTINUED)

Putting Forward Proposals at General Meetings

1. To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her proposal ("**Proposal**") with his/her detailed contact information at the Company's principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

2. The request will be verified with the Company's Hong Kong Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

3. The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

   (a) At least 14 clear days' and 10 clear business days' notice in writing if the Proposal constitutes an ordinary resolution in an extraordinary general meeting of the Company;

   (b) At least 21 clear days' and 10 clear business days' notice in writing if the Proposal constitutes a special resolution of the Company in an extraordinary general meeting of the Company or an ordinary resolution of the Company in an annual general meeting of the Company.

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

On 25 May 2023, the Company convened an annual general meeting, at which seven ordinary resolutions (including, the re-election of directors, reappointment of auditors, granting general mandates to the Board and continuing connected transactions involving the 2023 Mine Development Services Framework Agreement, 2023 Engineering and Technical Services Framework Agreement and 2023 Clinker and Cement Transactions Framework Agreements) and one special resolution of proposed amendments to the Articles of Association were approved and adopted. Details of which were disclosed in the announcement of the Company dated 25 May 2023 in relation to the poll results of the annual general meeting.

SHAREHOLDERS' RIGHTS (CONTINUED)

Putting Forward Enquiries to the Board

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

Contact Details

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

Address: 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong
(For the attention of the Board of Directors)
Fax: 2956 2192

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS (CONTINUED)

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. During 2023, the Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy. Having considered the multiple channels of communication and engagement in place, the Board consider that the results were satisfactory.

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

(a) Corporate Communication

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

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

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

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

(c) Corporate Website

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS (CONTINUED)

Shareholders' Communication Policy (Continued)

(d) Shareholders' Meetings

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

(e) Shareholders' Enquiries

Enquiries about Shareholdings

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

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

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send any enquiries to the Board by post to 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon Hong Kong.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS (CONTINUED)

Shareholders’ Communication Policy (Continued)

(f) Other Investor Relations Communication Platforms

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

Amendments to Constitutional Documents

During the year under review, the Company has made changes to its Article of Association. Details of the amendments are set out in the circular dated 3 May 2023 to the Shareholders. An up to date version of the Company’s Articles of Association is also available on the Company’s website and the Stock Exchange’s website.

Dividend Policy

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

(X) Major Events

1. MATERIAL LITIGATION IN THE CAYMAN ISLANDS

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

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

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

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

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

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

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

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

1. MATERIAL LITIGATION IN THE CAYMAN ISLANDS (CONTINUED)

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

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

On 28 November 2022, the Company applied for a validation order to make payment of the final dividend as resolved at the Annual General Meeting of the Company held on 27 May 2022, and a variation of a prior validation order dated 11 October 2018. Tianrui and the Company attended a hearing before the Grand Court on 24 February 2023 in respect of this application. Subsequent to the hearing before the Grand Court on 24 February 2023, the Grand Court thoroughly considered factors such as the equal treatment of the Shareholders, the Listing Rules, and the desire not to complicate the course of any hypothetical winding up. The Grand Court handed down its judgment on the Validation Application and dismissed the Validation Application on 31 March 2023. As a result of the judgment, the final dividend for the year ended 31 December 2021 will not be payable to the Shareholders.

The Grand Court delivered rulings on 17 October 2023 and 26 October 2023, and a judgment dated 30 October 2023, regarding the scope of discovery in respect of the Cayman Petition. As at 15 March 2024, 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.

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

2. MATERIAL LITIGATION IN HONG KONG

HCA 2880 of 2015 and CACV 91 of 2020

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

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

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

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

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

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

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

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

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

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

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

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

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

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

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

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

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

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

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

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

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

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

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

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

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

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

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

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

HCA 548 of 2019

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

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

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

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

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

HCA 1013 of 2023

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

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.

2. MATERIAL LITIGATION IN HONG KONG (CONTINUED)

HCA 1013 of 2023 (Continued)

In its Defence and Counterclaim filed on 3 January 2024, CSC Group denies on substantial grounds that Tianrui Group is entitled to claim for repayment of the Alleged Loans, and counterclaims against Tianrui Group for (and is therefore in any event entitled to set off the Alleged Loans against) damages and/or equitable compensation as a result of the unlawful means conspiracy committed by Tianrui Group and other parties with the intention of injuring CSC Group and its subsidiaries during the period from 2015 to 2018. CSC Group's counterclaim in this action is substantially based on its claim against Tianrui Group and other parties in HCA 548 of 2019. Accordingly, CSC Group 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 subject to further directions given by the Court.

3. PUBLIC FLOAT

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

MOORE

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大華馬施雲
會計師事務所有限公司

To the shareholders of China Shanshui Cement Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Shanshui Cement Group Limited (the "**Company**") and its subsidiaries (collectively referred to as "the Group") set out on pages 107 to 248, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statements of profit or loss and profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Impairment assessment on property, plant and equipment, right-of-use assets, intangible assets and goodwill</td></tr>
<tr><td>We identified the impairment assessment on property, plant and equipment, right-of-use assets, intangible assets and goodwill as a key audit matter due to the involvement of significant judgements and assumptions in estimating the recoverable amounts of the cash-generating units ("CGUs") to which property, plant and equipment, right-of-use assets, intangible assets and goodwill have been allocated.

With reference to the financial performance of certain CGUs, the management considered that indications of impairment of certain property, plant and equipment, right-of-use assets, intangible assets and goodwill of the Group belonging to these CGUs existed as at 31 December 2023. Accordingly, the management assessed whether there was any impairment of the property, plant and equipment, right-of-use assets, intangible assets and goodwill belonging to these CGUs, as well as all CGUs containing goodwill, at 31 December 2023 by preparing value in use calculations. The value in use calculations require the Group to estimate the future cash flows expected to arise from the CGUs and suitable discount rates in order to calculate the present value.

The carrying amounts of property, plant and equipment, right-of-use assets, intangible assets and goodwill after recognising impairment losses based on the impairment assessment as at 31 December 2023 performed by management were RMB16,733,823,000, RMB2,254,779,000, RMB1,617,845,000 and RMB55,132,000, respectively, as disclosed in notes 14, 15, 16 and 17 respectively, to the consolidated financial statements.</td><td>Our procedures in relation to the impairment assessment on property, plant and equipment, right- of-use assets, intangible assets and goodwill included:

• We obtained an understanding of the management's process and basis adopted in preparing the cash flow forecasts in respect of the CGUs, including significant assumptions;

• We challenged the key assumptions adopted by the management, including growth rates and gross margin in the cash flow projection period, by referring to the industry information and the management's budget;

• We assessed the key factors in determining the discount rates, including the debt and equity ratios, returns on investments and other risk factors of the CGUs, and comparing to discount rates adopted in the cement industry for reasonableness;

• We compared the expected changes in projected sales volume, selling prices and direct costs used in the cash flow projection period against historical performance and discussed with the management on revenue growth strategies and cost initiatives in respect of the CGUs; and

• We evaluated the sensitivity analysis performed by the management in respect of the growth rates and discount rates to assess the extent of impact on the calculations of the value in use.</td></tr>
</table>

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How the matter was addressed in our audit
Assessment of loss allowance for expected credit losses on trade receivables and other receivables	
We identified the assessment of loss allowance for expected credit losses on trade receivables and other receivables as a key audit matter as the assessment of excepted credit losses involved high level of estimation uncertainty and required exercise of significant management judgement. The carrying amounts of trade receivables and other receivables for which the management has performed assessment of loss allowance for expected credit losses as at 31 December 2023 are RMB1,375,875,000 and RMB644,379,000 respectively as disclosed in note 33(b)(i) to the consolidated financial statements. Net impairment losses on trade receivables and other receivables of approximately RMB43,312,000 and RMB1,173,000 respectively were recognised during the year.	Our procedures to evaluate the assessment of loss allowance for expected credit losses on trade receivables and other receivables included: • We obtained an understanding of the management's process for credit risk assessment and impairment assessment of allowance for expected credit losses on trade receivables and other receivables; • We tested, on a sample basis, the accuracy of aging of trade receivables balances based on invoice date and due date as at the end of the reporting period to the underlying invoices; and • We assessed the reasonableness of the Group's expected credit losses models for trade receivables and other receivables, including the model inputs, model design, model performance for significant portfolios.

OTHER INFORMATION

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

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view of the Company in accordance with IFRSs promulgated by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Moore CPA Limited
Certified Public Accountants

Yau Kit Ling
Practising Certificate Number: P07780

Hong Kong, 15 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (restated)
Revenue	6(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	7	**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	8	**(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	9(a)	**(218,273)**	(163,444)
Share of results of associates		**(12,711)**	(2,634)
(Loss)/profit before taxation	9	**(877,539)**	1,297,955
Income tax expense	10(b)	**(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	13		
Basic *(RMB)*		**(0.20)**	0.17
Diluted *(RMB)*		**(0.20)**	0.17

The notes on pages 114 to 248 form parts of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 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	27(c)	**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

The notes on pages 114 to 248 form parts of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (restated)	1 January 2022 RMB'000 (restated)
Non-current assets				
Property, plant and equipment	14	**16,733,823**	16,963,357	15,963,349
Right-of-use assets	15	**2,254,779**	2,326,174	2,340,463
Intangible assets	16	**1,617,845**	1,569,445	1,295,554
Goodwill	17	**55,132**	90,132	90,132
Other financial assets	18	**15,180**	18,208	20,920
Interests in associates	19	**485,713**	514,029	316,660
Deferred tax assets	30(a)	**306,215**	317,403	214,911
Other long-term assets	22(b)	**874,685**	881,310	935,215
		22,343,372	22,680,058	21,177,204
Current assets				
Inventories	20	**2,143,591**	3,230,312	2,761,944
Trade and bills receivables	21	**1,743,148**	1,763,731	2,289,310
Prepayments and other receivables	22(a)	**1,249,572**	1,435,338	1,283,150
Tax recoverable		**103,359**	72,919	66,477
Restricted bank deposits	23	**423,854**	223,473	28,908
Fixed bank deposits	23	**512,481**	–	–
Bank balances and cash	23	**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	24	**4,332,147**	2,780,603	2,392,750
Other borrowings		**–**	–	909
Trade payables	25	**3,855,229**	4,711,006	3,737,635
Other payables and accrued expenses	26(a)	**2,069,927**	2,291,581	2,283,495
Contract liabilities	26(b)	**422,288**	519,332	527,927
Taxation payable		**51,266**	202,543	457,051
Lease liabilities	29	**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 (Continued)

At 31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (restated)	1 January 2022 RMB'000 (restated)
Non-current liabilities				
Bank loans - amount due after one year	24	**800,310**	835,000	135,000
Long-term payables	26(c)	**303,799**	241,095	263,423
Defined benefit obligations	27(c)	**93,200**	100,830	107,730
Deferred income	28	**316,007**	302,223	243,104
Lease liabilities	29	**52,911**	55,965	53,023
Deferred tax liabilities	30(a)	**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	32(a)	**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

The consolidated financial statements on pages 107 to 248 were approved and authorised for issue by the Board of Directors on 15 March 2024 and were signed on its behalf by:

LI Huibao
Director

WU, Ling-ling
Director

The notes on pages 114 to 248 form parts of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserves *RMB'000*	Other reserves *RMB'000*	Exchange reserve *RMB'000*	Accumulated profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2022, as previously reported	295,671	8,235,037	2,063,067	240,302	(360,637)	8,014,794	18,488,234	265,648	18,753,882
Impact of IAS 12 amendment *(note 2.4)*	–	–	–	–	–	(8,986)	(8,986)	–	(8,986)
At 1 January 2022 (restated)	295,671	8,235,037	2,063,067	240,302	(360,637)	8,005,808	18,479,248	265,648	18,744,896
Profit for the year	–	–	–	–	–	748,702	748,702	8,429	757,131
Impact of IAS 12 amendment *(note 2.4)*	–	–	–	–	–	6,709	6,709	–	6,709
Profit for the year (restated)	–	–	–	–	–	755,411	755,411	8,429	763,840
Other comprehensive expense for the year	–	–	–	–	(53,195)	2,100	(51,095)	–	(51,095)
Total comprehensive income for the year	–	–	–	–	(53,195)	757,511	704,316	8,429	712,745
Transfer between reserves	–	–	192,158	–	–	(192,158)	–	–	–
Appropriation to maintenance and production funds	–	–	246,118	–	–	(246,118)	–	–	–
Utilisation of maintenance and production funds	–	–	(198,941)	–	–	198,941	–	–	–
Acquisition of non-controlling interests without a change in control	–	–	–	(22,228)	–	–	(22,228)	19,228	(3,000)
Distribution to non-controlling interests	–	–	–	–	–	–	–	(22,041)	(22,041)
At 31 December 2022 (restated)	295,671	8,235,037	2,302,402	218,074	(413,832)	8,523,984	19,161,336	271,264	19,432,600
Loss for the year	–	–	–	–	–	(883,959)	(883,959)	(166,147)	(1,050,106)
Other comprehensive income for the year	–	–	–	–	48,947	3,010	51,957	–	51,957
Total comprehensive expense for the year	–	–	–	–	48,947	(880,949)	(832,002)	(166,147)	(998,149)
Transfer between reserves	–	–	27,877	–	–	(27,877)	–	–	–
Appropriation to maintenance and production funds	–	–	241,632	–	–	(241,632)	–	–	–
Utilisation of maintenance and production funds	–	–	(215,987)	–	–	215,987	–	–	–
Distribution to non-controlling interests	–	–	–	–	–	–	–	(31,087)	(31,087)
At 31 December 2023	295,671	8,235,037	2,355,924	218,074	(364,885)	7,589,513	18,329,334	74,030	18,403,364

The notes on pages 114 to 248 form parts of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Operating activities			
(Loss)/profit before taxation		**(877,539)**	1,297,955
Adjustments for:			
Depreciation	9(c)	**1,239,174**	1,280,257
Amortisation of intangible assets	9(c)	**211,176**	203,721
Amortisation of deferred income	7	**(13,353)**	(11,803)
Impairment losses on property, plant and equipment	8	**226,385**	136,550
Impairment losses on intangible assets	8	**40**	–
Impairment losses on goodwill	8	**35,000**	–
Impairment losses/(reversal of impairment) on trade receivables, net		**43,312**	(6,131)
Impairment losses on other receivables, net		**1,173**	24,345
Impairment losses on inventories	9(c)	**7,895**	7,625
Finance costs	9(a)	**218,273**	163,444
Share of results of associates		**12,711**	2,634
Interest income	7	**(28,815)**	(20,260)
Net (gain)/loss from disposal of property, plant and equipment	8	**(21,787)**	8,780
Loss on fair value changes of financial assets at FVTPL	8	**171**	2,712
Dividend income from financial asset at FVTPL	7	**(835)**	–
Net foreign exchange loss	8	**21,235**	5,286
		1,074,216	3,095,115
Changes in working capital:			
Decrease/(increase) in inventories		**1,078,826**	(475,993)
(Increase)/decrease in trade and bills receivables		**(22,729)**	531,710
Decrease/(increase) in prepayments and other receivables		**184,560**	(105,160)
Increase in restricted bank deposits		**(33,984)**	(194,565)
Decrease in other long-term assets		**19,336**	256,160
(Decrease)/increase in trade payables		**(1,038,493)**	654,742
Decrease in other payables and accrued expenses		**(360,887)**	(99,334)
Decrease in defined benefit obligations		**(4,620)**	(4,800)
Increase in deferred income		**27,137**	70,922
Decrease in long-term payables		**(16,448)**	(34,516)
Cash generated from operations		**906,914**	3,694,281
Interest paid		**(156,353)**	(116,401)
Income tax paid		**(326,333)**	(919,446)
Net cash generated from operating activities		**424,228**	2,658,434

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2023

	2023 **RMB'000**	2022 RMB'000
Investing activities		
Interest received	**28,815**	20,260
Placement of fixed bank deposit	**(512,481)**	–
Payment for purchase of property, plant and equipment	**(851,014)**	(1,924,589)
Payment for purchase of intangible assets	**(196,382)**	(482,964)
Deposit paid for purchase of property, plant and equipment	**(142,368)**	(308,661)
Payment for purchase of land lease prepayments (included in right-of-use assets)	**(14,577)**	(82,336)
Proceeds from disposals of property, plant and equipment	**37,068**	30,961
Proceed from reduction in capital of other financial assets	**2,857**	–
Proceed from disposal of an associate	**2,888**	–
Dividend received from associates	**12,750**	–
Dividend received from financial asset at FVTPL	**835**	–
Acquisition of interest in an associate	**–**	(200,000)
Net cash used in investing activities	**(1,631,609)**	(2,947,329)
Financing activities		
Proceeds from new loans and borrowings	**4,895,411**	3,611,603
Repayment of loans and borrowings	**(3,544,954)**	(2,524,659)
Dividends paid to non-controlling interests	**(31,087)**	(22,041)
Repayment of lease liabilities	**(8,993)**	(14,177)
Acquisition of non-controlling interests without a change in control	**–**	(3,000)
Net cash generated from financing activities	**1,310,377**	1,047,726
Net increase in cash and cash equivalents	**102,996**	758,831
Cash and cash equivalents at 1 January	**2,124,362**	1,423,171
Effect of foreign exchange rate changes	**26,679**	(57,640)
Cash and cash equivalents at 31 December, representing bank balances and cash	**2,254,037**	2,124,362

Significant non-cash transaction:

During the year ended 31 December 2023, deposits paid for purchase of property, plant and equipment amounting to RMB129,657,000 (2022: RMB106,406,000) was transferred to property, plant and equipment upon completion of installation of relevant assets.

During the year ended 31 December 2023, cash outflow for repayment of loans and borrowings was set off by the inflow from withdrawal of restricted bank deposits amounting to RMB166,397,000 (2022: nil).

The notes on pages 114 to 248 form parts of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. GENERAL INFORMATION

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

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

The Company is an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 39 and 19, respectively.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING 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 new and 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. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS ("IFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts on 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 2.4. Comparative figures have been restated.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS ("IFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts on application of Amendments to IAS 12 Income Taxes "International Tax Reform-Pillar Two Model Rules"

The Group has applied the amendments for the first time in the current year. IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "**Pillar Two legislation**"). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted and therefore the amendment 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. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS (“IFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

2.3 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 “Disclosure of Accounting Policies”

The Group has applied the amendments for the first time in the current year. IAS 1 “Presentation of Financial statements” is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 “Making Materiality Judgements” (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial position and performance but has affected the disclosures of the Group’s accounting policies set out in note 4 to the consolidated financial statements. In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the IFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS (“IFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

2.4 Impacts of application of the new and 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 statement 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) *RMB'000*	Adjustment *RMB'000*	**1 January 2022** (Restated) *RMB'000*
Consolidated statement of financial position			
Deferred tax liabilities	64,383	8,986	73,369
Net assets	18,753,882	(8,986)	18,744,896
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) *RMB'000*	Adjustment *RMB'000*	**31 December 2022** (Restated) *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

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS ("IFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

2.4 Impacts of application of the new and amendments to IFRSs on the consolidated financial statements (Continued)

	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)
Earnings per shares			
Basic earnings per share *(RMB)*	0.17	–	0.17
Diluted earnings per share *(RMB)*	0.17	–	0.17

The application of the new and other 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.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS ("IFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

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 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 set out as per note 33 (b) (ii).

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

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

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

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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

4. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

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

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

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

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Changes in the Group's interests in existing subsidiaries

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

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

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

Business combinations or asset acquisitions

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed, with limited exceptions, are recognised at their fair value.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill

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

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

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

Investments in associates

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Investments in associates (Continued)

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

Revenue from contracts with customers

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

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leases

The Group as a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of plants and buildings, equipment, motor vehicles and land lease prepayment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight- line basis over the lease term.

Right-of-use assets

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

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

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

Leasehold land and building

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

Refundable rental deposits

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

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

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

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

Foreign currencies

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

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Borrowing costs

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

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

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

Government grants

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Employee benefits

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

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

(ii) Defined benefit retirement plan obligations

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Employee benefits (Continued)

(ii) Defined benefit retirement plan obligations (Continued)

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

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

Equity-settled share-based payment transactions

(i) Share options granted to employees

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Taxation

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

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

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Taxation (Continued)

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

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

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

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

Property, plant and equipment

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Property, plant and equipment (Continued)

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

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Intangible assets (other than goodwill)

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

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

Bank balances and cash

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

Inventories

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Inventories (Continued)

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

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

Provisions

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

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

Contingent liabilities

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

(i) Amortised cost and interest income

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income (Continued)

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

(ii) Financial assets at FVTPL

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes/excludes any dividend or interest earned on the financial asset and is included in the "other net expenses" line item.

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

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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

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

(i) Significant increase in credit risk

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

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL (Continued)

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

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

Foreign exchange gains and losses

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

Derecognition of financial assets

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Foreign exchange gains and losses

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

Derecognition of financial liabilities

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

   (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

   (iii) Both entities are joint ventures of the same third party;

   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

   (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

   (vi) The entity is controlled or jointly controlled by a person identified in (a);

   (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

   (viii) The entity, or any member of the group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Segment reporting

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(i) Impairments

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(i) Impairments (Continued)

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

As at 31 December 2023, the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets are RMB16,733,823,000, RMB2,254,779,000 and RMB1,617,845,000, respectively (2022: RMB16,963,357,000, RMB2,326,174,000 and RMB1,569,445,000, respectively). During the year ended 31 December 2023, impairment loss of RMB60,678,000 and RMB40,000 has been recognised in respect of the property, plant and equipment and intangible assets of certain subsidiaries located in the Shandong Province, Shanxi Province and Northeastern China based on the impairment assessments performed in respect of the subsidiaries as cash generating units.

In addition, based on the review of the Group's production assets conducted by the management of the Group, certain assets of subsidiaries located in the Shandong Province were idle and/or obsolete and that it is expected that these assets would not generate future benefit to the Group. Accordingly, impairment loss of RMB165,707,000 (2022: RMB136,550,000) has been recognised in respect of those assets.

Details of the recoverable amount calculation and review of the Group's production assets are disclosed in notes 14, 15 and 16 respectively.

– Goodwill

Determining whether goodwill allocated to subsidiaries located in the Shandong Province and the Northeast China is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less cost of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit. In determining the value in use, expected cash flows generated by the cash-generating unit are discounted to their present values, which require significant judgement relating to items such as the discount rates, growth rates and the projected sales volume, selling price, direct costs, gross margin and other related expenses. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, or upward revision of discount rate, a material impairment loss or a further impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties due to uncertainty on how the climate-related matters may progress and evolve. As at 31 December 2023, the carrying amount of goodwill is RMB55,132,000 (2022: RMB90,132,000), which is net of accumulated impairment loss of RMB2,372,674,000 (2022: RMB2,337,674,000). Details of the recoverable amount calculation are disclosed in note 17.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(i) Impairments (Continued)

– Inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market condition. The Group will reassess the estimations at each statement of financial position date. As at 31 December 2023, carrying amount of inventories is RMB2,143,591,000 (2022: RMB3,230,312,000).

– Provision of ECL for trade receivables and other receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and other receivables are disclosed in note 33(b)(i).

As at 31 December 2023, the carrying amounts of trade receivables and other receivables for which the management has performed assessment of loss allowance for ECL are RMB1,375,875,000 and RMB644,379,000 respectively (2022: RMB1,376,598,000 and RMB677,633,000, respectively).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(ii) Deferred tax asset

As at 31 December 2023, deferred tax assets of RMB306,215,000 (2022: RMB317,403,000) have been recognised in the consolidated statement of financial position as disclosed in note 30. As the deferred tax assets cannot be recognised unless the unused tax losses and deductible temporary differences are probable for deduction against future taxable profits, the Group estimates the expected realisation of these deductible temporary differences by reference to expected future taxable profits. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially the uncertainty on how the climate-related matters may progress and evolve. The Group reviews the judgment continuously and recognises additional deferred tax assets if taxable profits are probable to be generated. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

(iii) Actuarially determined benefit obligations

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

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

6. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

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

	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 6(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.

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (Continued)

(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

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, concrete and other products.

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

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

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

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

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities

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

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

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

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

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

	2023 *RMB'000*	2022 *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 results of associates	**(12,711)**	(2,634)
Loss on fair value changes 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 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.

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

	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.

7. 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	28	**13,353**	11,803
Release of other payable	(ii)	**–**	30,678
Others		**32,284**	50,658
		236,679	315,595

Note:

(i) Government grants mainly represented tax refunds, operating subsidies and energy reduction incentives from local governments received by the Group during the year. 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.

8. OTHER NET EXPENSES, GAINS AND LOSSES

	Notes	2023 RMB'000	2022 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	14	**(226,385)**	(136,550)
Impairment losses on intangible assets	16	**(40)**	–
Impairment losses on goodwill	17	**(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)

9. (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:

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
Defined benefit obligations	27(c)	**2,650**	2,840
Long-term payables	26(c)	**15,918**	17,541
		18,568	20,381

9. (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

(b) Personnel expenses (including directors' remunerations)

	Note	2023 RMB'000	2022 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	27(c)	**3,110**	3,240
		2,193,286	2,196,506

(c) Other items

	2023 RMB'000	2022 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

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

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

	2023 ***RMB'000***	2022 *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 (note 30(a))	**27,951**	(124,381)
	172,567	534,115

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

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

	Notes	**2023** **RMB'000**	2022 *RMB'000* (restated)
(Loss)/profit before taxation		**(877,539)**	1,297,955
Tax at the domestic income tax rate of 25% (2022: 25%)	(i)	**(219,385)**	324,489
Tax rate differential in foreign jurisdictions	(ii)	**12,525**	35,885
Tax effect of expenses not deductible for tax purpose		**35,671**	69,169
Tax effect of income not taxable for tax purpose		**(15,305)**	(37,160)
Tax effect of tax losses not recognised		**371,359**	61,093
Tax effect of unrecognised prior year's tax losses utilised during the year		**(7,552)**	(10,485)
Tax effect of deductible temporary differences not recognised		**20,499**	57,221
Tax effect of unrecognised prior year's deductible temporary differences utilised during the year		**(6,398)**	(81,072)
Effect of tax credit	(iii)	**(11,255)**	(13,022)
Effect of income tax at concessionnary rate		**(970)**	(1,165)
Withholding tax on distributed profits of subsidiaries operating in the PRC		**–**	150,000
Overprovision in respect of prior year		**(6,450)**	(21,497)
Tax effect of share of results of associates		**(172)**	659
Income tax expense		**172,567**	534,115
Effective tax rate		**-19.7%**	41.0%

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 Enterprises have been granted tax concessions by the local tax bureau and are entitled to PRC EIT at concessionary rate of 15% for both years.

(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.

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

11. DIRECTORS' REMUNERATION

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

	Directors' fees *RMB'000*	Salaries, allowances and other benefits *RMB'000*	Contributions to defined contribution retirement plans *RMB'000*	Total *RMB'000*
For the year ended 31 December 2023				
Chairman, Executive director				
LI Huibao	–	3,240	–	3,240
Executive director				
WU Ling-ling	–	2,638	–	2,638
Independent Non-Executive Directors				
CHANG Ming-cheng	–	1,319	–	1,319
LI Jianwei	–	867	–	867
HSU you-yuan	–	867	–	867
Total	–	8,931	–	8,931

11. DIRECTORS' REMUNERATION (CONTINUED)

	Directors' fees *RMB'000*	Salaries, allowances and other benefits *RMB'000*	Contributions to defined contribution retirement plans *RMB'000*	Total *RMB'000*
For the year ended 31 December 2022				
Chairman, Executive director				
LI Huibao	–	3,852	–	3,852
Executive director				
WU Ling-ling	–	2,511	–	2,511
Independent Non-Executive Directors				
CHANG Ming-cheng	–	1,256	–	1,256
LI Jianwei	–	826	–	826
HSU you-yuan	–	826	–	826
Total	–	9,271	–	9,271

The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group for the year. The Independent Non-Executive Directors' emoluments shown above were for their services as directors of the Company for the year.

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

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with the highest emoluments included two directors (2022: two directors) and emoluments of the directors are disclosed in note 11. The emoluments of the remaining three individuals (2022: three individuals) in the capacity as employees of the Group during the year ended 31 December 2023 are as follows:

	2023	2022
	RMB'000	*RMB'000*
Salaries, allowances and other benefits	**5,293**	6,063
Contributions to defined contribution retirement plans	**112**	104
	5,405	6,167

The emoluments of the remaining three individuals with the highest remuneration (2022: three individuals) is within the following bands:

	2023	2022
	Number of individuals	Number of individuals
HK$1,500,001 to HK$2,000,000	**2**	–
HK$2,000,001 to HK$2,500,000	**–**	2
HK$2,500,001 to HK$3,000,000	**1**	1
	3	3

13. (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 ***RMB'000***	2022 *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.

14. PROPERTY, PLANT AND EQUIPMENT

	Plants and buildings *RMB'000*	Equipment *RMB'000*	Motor vehicles and others *RMB'000*	Construction in progress *RMB'000*	Total fixed assets *RMB'000*
Cost:					
At 1 January 2022	14,224,466	15,470,979	603,360	782,140	31,080,945
Additions	15,866	123,285	43,242	2,167,231	2,349,624
Transfers	761,390	1,121,341	14,788	(1,897,519)	–
Disposals	(49,263)	(175,102)	(54,191)	(6,151)	(284,707)
At 31 December 2022	14,952,459	16,540,503	607,199	1,045,701	33,145,862
Additions	85,602	10,008	14,500	1,053,277	1,163,387
Transfers	373,891	593,097	4,855	(971,843)	–
Disposals	(68,289)	(288,480)	(34,120)	(471)	(391,360)
At 31 December 2023	**15,343,663**	**16,855,128**	**592,434**	**1,126,664**	**33,917,889**
Accumulated depreciation, amortisation and impairment:					
At 1 January 2022	(3,758,004)	(11,119,646)	(205,764)	(34,182)	(15,117,596)
Charge for the year	(338,725)	(816,138)	(18,462)	–	(1,173,325)
Impairment losses for the year	(29,438)	(73,302)	(33,511)	(299)	(136,550)
Written back on disposals	44,886	149,497	46,928	3,655	244,966
At 31 December 2022	(4,081,281)	(11,859,589)	(210,809)	(30,826)	(16,182,505)
Charge for the year	(353,023)	(754,120)	(44,112)	–	(1,151,255)
Impairment losses for the year	(195,927)	(11,360)	(18,922)	(176)	(226,385)
Written back on disposals	64,631	276,872	34,105	471	376,079
At 31 December 2023	**(4,565,600)**	**(12,348,197)**	**(239,738)**	**(30,531)**	**(17,184,066)**
Net book value:					
At 31 December 2023	**10,778,063**	**4,506,931**	**352,696**	**1,096,133**	**16,733,823**
At 31 December 2022	10,871,178	4,680,914	396,390	1,014,875	16,963,357

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) All plants and buildings and land are located in the PRC.

(b) Construction in progress ("CIP") mainly relates to technical improvement projects of cement and clinker production lines.

(c) As at 31 December 2023, the ownership certificates for certain plants and buildings with aggregate carrying amount of RMB1,167,943,000 (2022: RMB1,069,993,000) have not been obtained. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the properties and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2023 and 2022.

(d) As at the date of approval of the consolidated financial statements, the Group is in the process of obtaining construction permits for certain clinker and cement production lines. The carrying amounts of the plants and buildings and equipments transferred from construction in progress in respect of these clinker and cement production lines as at 31 December 2023 were RMB633,170,000 and RMB210,455,000 respectively (2022: RMB867,619,000 and RMB539,203,000 respectively). The director of the Company are of the opinion that the Group is entitled to lawfully and validly construct the certain clinker and cement production lines and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2023 and 2022.

(e) Certain plants and buildings with an aggregate carrying amount of RMB400,852,000 as at 31 December 2023 (2022: RMB8,123,000) are pledged to secure bank loans granted to the Group (see note 24).

(f) As at 31 December 2023, land lease prepayments carried at RMB37,200,000 (2022: RMB25,323,000) and plants and buildings carried at RMB59,387,000 (2022: nil) have been frozen by the PRC Court pending the outcome of the legal proceedings initiated by the Group's creditors relating to certain purchases contracts. Under the Court order, the Group may continue to use these assets in its business but is prohibited from selling or transferring the assets until the litigation is resolved.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(g) For the years ended 31 December 2023 and 2022, the management performed impairment assessments on property, plant and equipment, right-of-use assets, intangible assets and goodwill of certain subsidiaries located in the Shandong Province, Shanxi Province and Northeastern China which the management of the Group considered there was indication for impairment due to the deterioration of economic conditions for the cement industry in recent years. The management assessed the recoverable amounts of these assets by assessing the recoverable amounts of the cash-generating units ("CGUs"), represented by the respective subsidiaries, to which they belong with reference to the value in use calculations of the CGUs. The value in use calculations use cash flow projections based on the financial budgets approved by the management for the next financial year with suitable growth rates for the following four years. The cash flows beyond the five-year period are extrapolated using suitable terminal growth rates.

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

Segment	No of subsidiaries		Range of growth rate *(%)* *		Range of discount rates *(%)*		Terminal growth rate *(%)*	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Shandong Province-Shandong Shanshui Heavy Industries Co., Ltd. ("Shanshui Heavy Industries")	**1**	1	**15**	8	**18.46**	16.95	**2**	2
Shandong Province	**3**	7	**3-6**	3-12	**11.31–12.23**	11.00–13.98	**–**	–
Northeastern China	**13**	10	**1-12**	1-15	**12.00–15.04**	11.00–13.73	**–**	–
Shanxi Province	**7**	7	**2-18**	7-15	**11.00–12.34**	11.00–13.44	**–**	–

* The growth rate is based on the industry growth rate forecast.

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

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(g) (Continued)

For the year ended 31 December 2023, based on the cash flow projections and financial budgets approved by the management in respect of the impairment assessments, the value in use calculated by the discounted cash flow analysis for certain CGUs are lower than the carrying amount for the respective CGUs. In view of the under performance and accordingly, impairment losses on property, plant and equipment of RMB60,678,000 was allocated and recognised for the year ended 31 December 2023.

The details of impairment loss allocated in respect of class of assets are shown as follow:

	Property, plants and equipment	**Intangible assets**	**Goodwill**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 16)	*(Note 17)*	
Shandong Province -Shanshui Heavy Industries	–	–	35,000	35,000
Northeastern China	60,678	40	–	60,718
	60,678	40	35,000	95,718

For the year ended 31 December 2022, based on the cash flow projections and financial budgets approved by the management in respect of the impairment assessments, the value in use calculated by the discounted cash flow analysis is higher than the carrying amount for the CGUs, and accordingly, no impairment loss of property, plant and equipment was recognised for the year ended 31 December 2022.

In addition to the impairment assessments performed on the CGUs described above, the Group also conducted a review of the Group's production assets and identified certain assets owned by certain subsidiaries located in the Shandong Province and Northeastern China were idle and/or obsolete and that it was expected that these assets would not generate future benefit to the Group. Accordingly, impairment loss of RMB165,707,000 (2022: RMB136,550,000) had been recognised for the year ended 31 December 2023 in respect of those assets to fully write down their carrying amounts to nil.

15. RIGHT-OF-USE ASSETS

	Plants and buildings *RMB'000*	Land lease prepayment *RMB'000*	Total *RMB'000*
Carrying amount:			
At 1 January 2022	17,533	2,322,930	2,340,463
Additions	6,116	86,527	92,643
Depreciation charge	(8,357)	(98,575)	(106,932)
At 31 December 2022	15,292	2,310,882	2,326,174
Additions	1,920	14,604	16,524
Depreciation charge	(4,194)	(83,725)	(87,919)
At 31 December 2023	**13,018**	**2,241,761**	**2,254,779**

	2023 ***RMB'000***	2022 *RMB'000*
Expense relating to short-term leases	**24,723**	25,835
Total cash outflow for leases	**33,716**	40,012

(a) For both years, the Group leases various plants and buildings and land lease prepayment for its operations. Lease contracts for plants and buildings are entered into for fixed terms of 2 to 30 years. Lease contracts for land lease prepayment are entered into for fixed term of 25 to 70 years. Lease terms for all lease contracts are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

(b) The lease prepayments for leasehold land which are presented as right-of-use assets with underlying assets of land are amortised for periods ranging from between 25 years and 70 years based on the lease term (2022: 25 years and 70 years).

(c) As at 31 December 2023, application for the registration of land use rights in relation to right-of-use assets with underlying assets of land lease prepayments with cost of approximately RMB108,400,000 and carrying amount of RMB95,365,000 (2022: cost of approximately RMB168,701,000 and carrying amount of RMB145,482,000) was still in progress. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the properties and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2023 and 2022.

(d) Certain land lease prepayments with an aggregate carrying amount of RMB133,993,000 (2022: nil) are pledged to secure bank loans granted to the Group (see note 24).

16. INTANGIBLE ASSETS

	Limestone mining rights *RMB'000*	Customer relationships *RMB'000*	Trademarks *RMB'000*	Software and others *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2022	2,056,438	48,181	92,522	319,973	2,517,114
Additions	459,885	–	–	23,079	482,964
Disposals	(56,127)	–	–	(103)	(56,230)
At 31 December 2022	2,460,196	48,181	92,522	342,949	2,943,848
Additions	222,536	–	–	37,080	259,616
At 31 December 2023	**2,682,732**	**48,181**	**92,522**	**380,029**	**3,203,464**
Accumulated amortisation and impairment:					
At 1 January 2022	(998,446)	(48,181)	(70,292)	(104,641)	(1,221,560)
Amortisation for the year	(180,372)	–	–	(23,349)	(203,721)
Written back in disposals	50,797	–	–	81	50,878
At 31 December 2022	(1,128,021)	(48,181)	(70,292)	(127,909)	(1,374,403)
Amortisation for the year	(180,129)	–	–	(31,047)	(211,176)
Impairment loss for the year	–	–	–	(40)	(40)
At 31 December 2023	**(1,308,150)**	**(48,181)**	**(70,292)**	**(158,996)**	**(1,585,619)**
Net book value:					
At 31 December 2023	**1,374,582**	–	**22,230**	**221,033**	**1,617,845**
At 31 December 2022	1,332,175	–	22,230	215,040	1,569,445

16. INTANGIBLE ASSETS (CONTINUED)

(a) The limestone mines owned by subsidiaries of the Company are located in Shandong, Liaoning, Shanxi, Xinjiang and Inner Mongolia regions/provinces. The limestone mining rights which are granted from the respective land resources bureaus are valid for periods ranging from 1 year to 26 years (2022: ranging from 3 years to 50 years) and will expire in 2024 to 2046. Certain limestone mining rights for limestone mines located in the Northeastern China and Xinjiang Region that expired in the current year are renewed and will expire in 2024 to 2032.

(b) As at 31 December 2023, the ownership certificates for certain limestone mining rights with a carrying amount of RMB62,355,000 (net of accumulated amortisation of RMB28,562,000) (2022: RMB98,568,000 (net of accumulated amortisation of RMB13,276,000)) have not been obtained. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the properties and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2023 and 2022.

(c) Included in the carrying amount of trademarks represent the "遠航" brand acquired through acquisition of Chifeng Shanshui Yuanhang Cement Company Limited ("Chifeng Yuanhang") in previous years. The "遠航" brand will be expired in February 2033, but is renewable every 10 years at minimal cost. The directors of the Company are of the opinion that the "遠航" brand is having good reputation in the local area and hence the Group would renew the trademark continuously and has the ability to do so. As a result, the "遠航" brand is considered by the management of the Group as having an indefinite useful life and will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. The carrying amount of "遠航" brand as at 31 December 2023 is RMB22,230,000 (2022: RMB22,230,000).

For the years ended 31 December 2023 and 2022, the management assessed the recoverable amount of Chifeng Yuanhang which the trademark forms part of the CGU with reference to its value in use calculation. In addition to the trademark, property, plant and equipment, other intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related trademark are also included in the CGU for the purpose of impairment assessment. Based on the cash flow projections and financial budgets approved by the management in 2023 and 2022, the value in use calculated by the discounted cash flow analysis is higher than the company amounts for Chifeng Yuanhang and accordingly the management determined that there was no impairment on the trademark's CGU for the year ended 31 December 2023 (2022: nil). Chifeng Yuanhang is one the CGUs in the Northeastern China segment and particulars of the value in use calculation in relation to Chifeng Yuanhang are disclosed in note 14(g).

(d) For the year ended 31 December 2023, based on the cash flow projections and financial budgets approved by the management in respect of the impairment assessments, the value in use calculated by the discounted cash flow analysis for certain CGUs are lower than the carrying amount for the respective CGUs, and accordingly, impairment losses on intangible assets of RMB40,000 was allocated and recognised for the year ended 31 December 2023 (2022: nil). Particulars of the value in use calculation are disclosed as in note 14(g).

17. GOODWILL

	RMB'000
Cost:	
At 1 January 2022, 31 December 2022 and 31 December 2023	2,427,806
Impairment losses:	
At 1 January 2022 and 31 December 2022	2,337,674
Impairment loss for the year	35,000
At 31 December 2023	**2,372,674**
Net book value:	
At 31 December 2023	**55,132**
At 31 December 2022	90,132

17. GOODWILL (CONTINUED)

Impairment tests for cash-generating units containing goodwill

As set out in IAS 36, cash generating units are the smallest identifiable groups of assets that generate cash inflows from continuing use that are largely independent of the cash flows from other assets. For the purpose of impairment testing of goodwill, goodwill is allocated to CGUs or groups of CGUs (being subsidiaries acquired in each acquisition), which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The carrying amount of goodwill is allocated to 3 individual CGUs, comprising 3 subsidiaries namely Shanshui Heavy Industries (amounting to RMB40,908,000 (2022: RMB75,908,000)), Wulanhaote Shanshui Cement Co., Ltd. ("Wulanhaote") (amounting to RMB12,639,000 (2022: RMB12,639,000)) and Dezhou Zhucheng Concrete Co., Ltd. ("Dezhou Zhucheng") (amounting to RMB1,585,000 (2022: RMB1,585,000)). The goodwill recognised is not expected to be deductible for income tax purpose. In addition to goodwill, property, plant and equipment, intangible assets and right–of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment.

For the purpose of impairment assessment for the years ended 31 December 2023 and 2022, the recoverable amounts of the individual CGUs as at the end of the reporting period were estimated with reference to value in use calculations determined by the management of the Group for Wulanhaote and Dezhou Zhucheng or with the assistance of GW Financial Advisory Service Limited, an independent firm of qualified professional valuer not connected with the Group for Shanshui Heavy Industries. The value in use calculations used cash flow projections based on the financial budgets for the next financial year of the respective CGUs approved by the management. Particulars of the value in use calculations are disclosed as per note 14(g).

During the year ended 31 December 2023, there was impairment loss for the CGU of Shanshui Heavy Industries as its value in use as at 31 December 2023 amounting to RMB252,215,000 was below to its carrying amount. The directors of the Company have consequently determined that in view of its under performance during the current year, impairment of goodwill directly related to the CGU of Shanshui Heavy Industries amounting to RMB35,000,000 has been recognised and included in consolidated profit or loss in the "Other net expenses, gains and losses". No other write-down of the non-current assets of Shanshui Heavy Industries is considered necessary. As at 31 December 2022, the recoverable amount of CGU of Shanshui Heavy Industries was higher than its carrying amount and accordingly, the management determined that there was no impairment on the CGU of Shanshui Heavy Industries in the prior year. Shanshui Heavy Industries is principally engaged in provision of various service regarding cement production related machinery.

As at 31 December 2023 and 2022, the recoverable amounts of the CGUs of Wulanhaote and Dezhou Zhucheng were estimated to be higher than the carrying amounts of the respective CGUs and accordingly, the management determined that there is no impairment loss in these CGUs for the years ended 31 December 2023 and 2022.

18. OTHER FINANCIAL ASSETS

	Notes	**At 31 December 2023 RMB'000**	At 31 December 2022 RMB'000
Financial assets at FVTPL			
– Equity securities listed in the PRC	(a)	**7,365**	6,082
– Unquoted equity investments in PRC non-listed companies	(b)	**7,815**	12,126
Loan due from a third party	(c)	**–**	–
		15,180	18,208

Notes:

(a) Equity investments in securities listed in the PRC represent the Group's investments in equity shares listed on the Shanghai Stock Exchange and held by the Group as long term investment. The investments are valued with reference to the trading price of the securities at the end of the reporting period.

(b) Unquoted equity investments in PRC non-listed companies are held by the Group as long term investment. Included in the unquoted equity investments held by the Group as at 31 December 2023 mainly represented the 0.38% equity interest in Bank of Chaoyang with carrying amount of RMB6,297,000 (2022: RMB7,749,000). The fair value loss on the unquoted equity investments of RMB1,454,000 was recognised in profit or loss during the year ended 31 December 2023 (2022: RMB2,879,000).

(c) Loan due from a third party represents loan due from a minority shareholder of a subsidiary of the Company which held 30% equity interest in Bohai Cement (Huludao) Co., Ltd. ("Bohai Cement"). During the year ended 31 December 2021, the amount has been overdue and the management of the Group considered the probability of default had significantly increased. Accordingly, the amount was fully impaired and impairment loss of RMB21,710,000 was recognised for the year ended 31 December 2021.

During the year ended 31 December 2023, the amount remained unsettled. Accordingly, the allowance for expected credit loss recognised in the previous year was not reversed.

19. INTERESTS IN ASSOCIATES

	2023	2022
	RMB'000	*RMB'000*
Cost	**847,850**	847,850
Less: share of post-acquisition profit and other comprehensive income, net of dividends received	**(33,758)**	(5,442)
Less: impairment losses	**(328,379)**	(328,379)
Share of net assets	**485,713**	514,029

Details of the Group's major associates as at 31 December 2023 and 2022 are as follows:

Name of associate	Place and date of incorporation and principal place of business	Principal activities	Registered capital	Paid-in capital	Proportion of ownership interest/ voting rights held by the Group		Note
					2023	2022	
Dong'e Shanshui Dongchang Cement Co., Ltd. ("Dong'e Shanshui") *(note (a))*	Shandong, PRC 1 March 2010	Production and sales of cement, clinker and related products	RMB100,000,000	RMB100,000,000	**51%**	51%	2
Dalian Cement Group Co., Ltd. ("Dashui Group")	Liaoning, PRC 11 June 1992	Production and sales of cement and related products	RMB888,980,000	RMB888,980,000	**22.04%**	22.04%	2
Qilu Property Co., Ltd. ("Qilu Property") *(note (b))*	Shandong, PRC 16 May 1994	Development of property	RMB83,529,200	RMB83,529,200	**30%**	30%	2

19. INTERESTS IN ASSOCIATES (CONTINUED)

Name of associate	Place and date of incorporation and principal place of business	Principal activities	Registered capital	Paid-in capital	Proportion of ownership interest/ voting rights held by the Group **2023**	2022	Note
Zibo Banyang Limestone Enterprise Management Co., Ltd ("Banyang Limestone") *(note (c))*	Shandong, PRC 23 December 2016	Provide corporate management service, general freight, sales of limestone and investment advisory services	RMB10,000,000	RMB4,900,000	**–**	7%	1
Liaoning Yunding Cement Group Co., Ltd. ("Yunding Cement") *(note (d))*	Liaoning, PRC 21 August 2017	Sales and production of cement and provide business information consulting services	RMB32,170,000	RMB32,170,000	**42.29%**	42.29%	1
Xingan Mengjixing Cement Management Co., Ltd. ("Mengjixing Cement") *(note (e))*	Inner Mongolia, PRC 4 January 2017	Sales and production of cement and provide business information consulting services	RMB2,653,100	RMB1,300,000	**26.38%**	26.38%	1
Yulin Zhongxin Cement Enterprise Management Co., Ltd. ("Zhongxin Cement") *(note (f))*	Shaanxi, PRC 23 July 2018	Provide cement management service, business information consulting services and sales of cement clinker, limestone and other products	RMB9,200,000	RMB3,750,000	**48.91%**	48.91%	1
Shandong Yihe Junling Ecological Technology Industrial Park Co., Ltd. ("Yihe Junling") *(note (g))*	Shandong, PRC 26 April 2022	Construction and management of industrial production plant	RMB800,000,000	RMB400,000,000	**50%**	50%	2

Notes:

(1) These associates acts as a cement and related product selling platform for their shareholders in expanding sales to certain locations, which was leaded by local government.

(2) The investment in these associate enable the Group to enter into a competitive region.

19. INTERESTS IN ASSOCIATES (CONTINUED)

Notes:

(a) According to the articles of association of Dong'e Shanshui, the resolutions in the relation to material financial and operating decisions have to be passed by more than half of directors. As the Group only has right to appoint two out of five directors of Dong'e Shanshui, the directors of the Company are of the opinion that the Group has significant influence in Dong'e Shanshui but does not have control over Dong'e Shanshui although the Company owns more than half of equity interests in Dong'e Shanshui.

(b) Shandong Shanshui acquired 30% interest in Qilu Property with total consideration of RMB146,878,000 settled during the period from July to September 2015. The carrying amount of the interest in Qilu Property was fully impaired in previous years based on the impairment assessment performed by the management of the Group.

As at 31 December 2023 and 2022, the recoverable amounts of the interest in the associate was nil based on the assessment by the management of the Group and accordingly, the impairment provided in previous years was not reversed.

(c) During the year ended 31 December 2017, the Company's 99% owned subsidiary, Zibo Shanshui Cement Co., Ltd contributed cash of RMB700,000 for the establishment of Banyang Limestone with seven independent third parties. The directors of the Company were of the opinion that the Group had significant influence in Banyang Limestone even though the Company owned less than 20% of equity interest in Banyang Limestone as each investor appointed 1 director out of 9 directors in Banyang Limestone and the resolution of the board required 50% vote. The Group had 6.93% effective equity interest in Banyang Limestone as at 31 December 2022.

In March 2023, all shareholders of Banyang Limestone resolved to transfer all of their equity interests to the major shareholder of Banyang Limestone. The proceed for the share transaction of RMB2,888,000 was received by the Group on 30 March 2023. The Group has no effective equity interest in Banyan Limeston afterward.

(d) During the year ended 31 December 2017, the Company's wholly owned subsidiary, Liaoning Shanshui Gongyuan Cement Co., Ltd. ("Liaoning Gongyuan") contributed cash of RMB13,950,000 for the establishment of Yunding Cement for 39.64% equity interest with four independent third parties. During the year ended 31 December 2018, after one of the shareholders has withdrawn the shares from Yunding Cement, the Group's equity interest in Yunding Cement was increased to 42.29%, and together with interest held by an associate, total 43.73%. There is no change in the effective equity interest as at 31 December 2023 and 2022.

(e) During the year ended 31 December 2017, certain non-wholly owned subsidiaries of the Company contributed cash of RMB700,000 in total for the establishment of Mengjixing Cement for 26.38% equity interest with three independent third parties. The Group in aggregate has 24.39% effective equity interest in Mengjixing Cement, and there is no change in the effective equity interest as at 31 December 2023 and 2022.

(f) During the year ended 31 December 2018, certain non-wholly owned subsidiaries of the Company contributed cash of RMB4,500,000 in total for the establishment of Zhongxin Cement for 48.91% equity interest with four independent third parties. The Group in aggregate has 36.09% effective equity interest in Zhongxin Cement, and there is no change in the effective equity interest as at 31 December 2023 and 2022.

(g) During the year ended 31 December 2022, certain non-wholly owned subsidiaries of the Company contributed cash of RMB200,000,000 in total for the establishment of Yihe Junling for 50.00% equity interest with an independent third party. The Group in aggregate has 49.50% effective equity interest in Yihe Junling as at 31 December 2023 and 2022.

Pursuant to the articles of association of Yihe Junling, the Group has the right to appoint one out of the three directors in the board of directors, which is responsible for relevant activities of Yihe Junling. Accordingly, the directors of the Company consider that the Group has significant influence in Yihe Junling during the year.

19. INTERESTS IN ASSOCIATES (CONTINUED)

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of Dong'e Shanshui are listed below:

Dong'e Shanshui

	2023	2022
	RMB'000	*RMB'000*
Current assets	**124,694**	164,098
Non-current assets	**164,038**	175,180
Current liabilities	**(16,104)**	(30,158)
Non-current liabilities	**(740)**	(740)

	2023	2022
	RMB'000	*RMB'000*
Revenue	**197,304**	293,702
(Loss)/profit and total comprehensive (expense)/income for the year	**(11,492)**	16,626

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2023	2022
	RMB'000	*RMB'000*
Net assets of Dong'e Shanshui	**271,888**	308,380
Proportion of the Group's ownership interest in Dong'e Shanshui	**51%**	51%
Carrying amount of the Group's interest in Dong'e Shanshui	**138,663**	157,274
Dividend received from Dong'e Shanshui	**12,750**	–

19. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of Yihe Junling are listed below:

Yihe Junling

	2023	2022
	RMB'000	*RMB'000*
Current assets	**45,808**	74,410
Non-current assets	**531,210**	479,570
Current liabilities	**(143,377)**	(140,854)
Non-current liabilities	**–**	–

	2023	2022
	RMB'000	*RMB'000*
Revenue	**201,100**	107,512
Profit and total comprehensive income for the year	**20,515**	13,126

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2023	2022
	RMB'000	*RMB'000*
Net asset of Yihe Junling	**433,641**	413,126
Proportion of the Group's ownership interest in Yihe Junling	**50%**	50%
Carrying amount of the Group's interest in Yihe Junling	**216,821**	206,563

19. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material are listed below:

	2023 **RMB'000**	2022 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**130,229**	150,192
Aggregate amounts of the Group's share of those associates' losses and total comprehensive expense for the year	**(17,108)**	(17,676)

Unrecognised share of loss of associates that are not individually material:

	2023 **RMB'000**	2022 RMB'000
Unrecognised share of loss of associates for the year	**(378)**	(5,274)
Cumulative unrecognised share of loss of associates	**(70,537)**	(70,159)

20. INVENTORIES

	2023 **RMB'000**	2022 RMB'000
Raw materials	**695,511**	936,320
Semi-finished goods	**534,649**	1,048,193
Finished goods	**463,241**	700,372
Spare parts	**450,190**	545,427
	2,143,591	3,230,312

21. TRADE AND BILLS RECEIVABLES

	Note	**2023** **RMB'000**	2022 RMB'000
Bills receivables		**367,273**	387,133
Trade receivables		**1,638,303**	1,634,983
Less: allowance for credit losses	33(b)(i)	**(262,428)**	(258,385)
		1,743,148	1,763,731

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 **RMB'000**	2022 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 reporting period. The detailed credit policy and details of impairment assessment of trade and bills receivables are set out in note 33(b)(i).

22. PREPAYMENTS AND OTHER RECEIVABLES AND OTHER LONG-TERM ASSETS

(a) Prepayments and other receivables (current assets)

	Notes	**2023** **RMB'000**	2022 RMB'000
Deposits	(i)	**52,429**	43,902
Prepayments for raw materials		**112,815**	241,583
Prepayments for utilities		**87,554**	79,767
VAT recoverable		**404,824**	436,355
Amounts due from related parties	37(b)	**85,399**	93,678
Amounts due from third parties	(ii)	**409,876**	394,451
Others		**96,675**	145,602
		1,249,572	1,435,338

As at 31 December 2023, the gross carrying amount of other receivables of the Group exposed to credit risks has been net off with loss allowance amounted to RMB596,817,000 (2022: RMB600,410,000). Details of impairment assessment of the other receivables exposed to credit risk are set out in note 33(b)(i).

Notes:

(i) Included in deposits as at 31 December 2023 mainly are deposits paid for bidding and fulfilling the agreements of RMB41,063,000 (2022: RMB33,127,000), The deposits are expected to be utilised within 12 months after the end of the reporting period and are therefore classified as current assets.

(ii) Included in amounts due from third parties are amounts due from the former shareholders of certain subsidiaries of the Group of RMB31,781,000 (2022: RMB34,022,000).

(b) Other long-term assets

Other long-term assets mainly represented prepayment for purchase of property, plant and equipment, right-of-use assets with underlying assets of land lease prepayment and intangible assets of RMB246,515,000, RMB74,059,000 and nil, respectively (2022: RMB200,817,000, RMB106,374,000 and RMB1,470,000, respectively) and deposit for environmental restoration of RMB529,798,000 (2022: RMB545,922,000).

These balances are not expected to be recovered within one year from the end of reporting period, and accordingly, are classified as non-current.

23. RESTRICTED BANK DEPOSITS, FIXED BANK DEPOSITS AND BANK BALANCES AND CASH

Restricted bank deposits as at 31 December 2023 include RMB416,754,000 (2022: RMB210,100,000) 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 RMB7,100,000 (2022: RMB13,373,000) of bank balances which have been frozen by the PRC Court pending the outcome of the legal proceedings initiated by the Group's creditors relating to certain purchases contracts. Further details of this litigation are set out in note 26. During the year ended 31 December 2023, frozen bank deposits amounting to RMB7,173,000 have been released as the litigation has been resolved.

The restricted bank deposits carry fixed interest rates ranged from 0.19% to 2.75% (2022: 0.25% to 2.60%) per annum. The effective interest rate on bank balances ranged from 0.20% to 1.70% (2022: 0.01% to 1.89%) per annum as at 31 December 2023.

The fixed bank deposits carry fixed interest rates ranged from 1.71% to 4.2% (2022: nil) per annum and have original maturity of over three months.

For the year ended 31 December 2023, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided. Details of impairment assessment of restricted bank deposits for the year ended 31 December 2023 are set out in note 33(b)(i).

24. BANK LOANS

	Notes	2023 RMB'000	2022 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) (see note 14(e)) 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 RMB'000	2022 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 and detail of interest rates are disclosed as per note 33(b)(iii).

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

As at 31 December 2023, certain suppliers and third parties have initiated lawsuits against the Group to demand immediate settlement of trade payables with carrying amount of RMB17,194,000 (2022: RMB40,498,000) plus interest for late payment, if any.

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

26. OTHER PAYABLES AND ACCRUED EXPENSES, CONTRACT LIABILITIES AND LONG TERM PAYABLES

(a) Other payables and accrued expenses

	Notes	**31 December 2023** ***RMB'000***	31 December 2022 *RMB'000*
Accrued payroll and welfare		**281,377**	387,681
Taxes payable other than income tax payable		**86,542**	163,837
Staff compensation and termination provisions	27(b)	**109,808**	143,721
Amounts due to related parties	37(b)	**915,486**	899,744
Payable to former shareholders of acquired subsidiaries		**57,316**	67,512
Acquisition consideration payable		**27,437**	27,437
Accrued expenses and other payables	(i)	**591,961**	601,649
		2,069,927	2,291,581

Note:

(i) The amount mainly represents payables for acquisition of property, plant and equipment of RMB44,112,000 (2022: RMB45,862,000), payable for mine management of RMB123,946,000 (2022: RMB123,946,000), contract guarantee deposits from suppliers of RMB132,358,000 (2022: RMB116,356,000), payables for equipment maintenance of RMB107,168,000 (2022: RMB126,588,000) and interest payables of RMB5,318,000 (2022: RMB747,000).

As at 31 December 2023, certain suppliers and third parties have lawsuits against the Group to demand immediate settlement of other payables with carrying amount of RMB11,811,000 (2022: RMB16,463,000) plus interest for late payment, if any.

26. OTHER PAYABLES AND ACCRUED EXPENSES, CONTRACT LIABILITIES AND LONG TERM PAYABLES (CONTINUED)

(b) Contract liabilities

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Sales of cement	**361,150**	421,049
Sales of clinker	**34,271**	64,590
Sales of concrete	**8,492**	8,991
Sales of other products	**18,375**	24,702
	422,288	519,332

The Group typically received full payment from certain customers for sales of cement, clinker, concrete and other products before the customers obtain the control of the cement products which give rise to contract liabilities at the start of a contract, until the revenue recognised upon the pass of controls. All contract liabilities are expected to be recognised as income within one year.

As at 1 January 2022, contract liabilities amounted to RMB527,927,000. The contract liabilities as at 1 January 2023 and 2022 were fully recognised as revenue during the year ended 31 December 2023 and 2022, respectively.

(c) Long term payables

Long term payables mainly represented payables for reclamation cost for environmental restoration and constructions in amount of RMB303,799,000 (2022: RMB241,095,000). According to the regulation issued by the Ministry of Land and Resources (國土資源部), the user of quarry should undertake the obligation of environmental restoration. After taking into account the quantity of limestone excavated and the timing of environment restoration between 2024 to 2054, a provision has been recognised for the costs expected to be incurred for the environmental restoration. Additional provision is recognised as cost of sales of the related limestone excavated. An unwinding discount of RMB15,918,000 was incurred in relation to the long term payables for reclamation cost for environmental restoration and constructions, which was charged to profit or loss as a finance cost, and a payment for reclamation cost of RMB46,786,000 was made during the year ended 31 December 2023.

27. EMPLOYEE BENEFITS

(a) Defined contribution retirement plans

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial government authorities for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 29% to 39% of the salaries, wages and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. Where there are employees who leave the plans prior to vesting fully in the contributions, in accordance with the rules of the plans, the forfeited employers' contributions shall not be used to reduce the future contributions of the employers. At 31 December 2023, there was no forfeited contribution which is available to reduce the contributions payable in future years (2022: nil).

The Group has no other material obligation for the payment of pension benefits associated with these plans and other post-retirement beyond the annual contributions described above.

(b) Staff compensation and termination provision

	2023 ***RMB'000***	2022 *RMB'000*
Staff compensation and termination provision	**109,808**	143,721

Included in the staff compensation and termination provision is a provision set aside following the transition from a state-owned enterprise to a privately-owned enterprise of certain subsidiaries of the Group, of RMB109,241,000 (2022: RMB142,758,000).

Pursuant to pertinent agreements with associated local governments established during the transition of certain subsidiaries of the Group from a state-owned enterprise to a privately owned entity, certain employees of certain subsidiaries of the Group are entitled to receive compensation and termination pay relating to their past employment prior to the change in status. Such amounts are required to be paid to the employees as soon as they cease to be employed by the Group. These amounts are included in other payables and accrued expenses in the consolidated statement of financial position (see note 26(a)) and remained unpaid in previous years as the Group has been negotiating with the relevant employees to finalise the compensation and termination pay.

In May 2023, the Group reached a consensus with the employees on a revised compensation plan with effective from 31 August 2023, and additional compensations amounting to RMB130,428,000 was provided during the current year. Settlement to past employees amounting to RMB162,786,000 was made by the Group during the year ended 31 December 2023. Certain workers were found unqualified for the compensation, in aggregate of RMB1,159,000, and the relevant other payable was reversed.

27. EMPLOYEE BENEFITS (CONTINUED)

(c) Defined benefit obligations

The liabilities recognised in the consolidated statement of financial position represent:

	2023 **RMB'000**	2022 RMB'000
Present value of the defined benefit obligations	**93,200**	100,830

The balance represents the provision for the post-employment benefits according to the non-cancellable staff relocation plans agreed in respect of Shandong Shanshui, Weifang Shanshui Cement Co., Ltd., Liaoyang Qianshan Cement Co., Ltd. (excluding the compensation stated in note 26(a)) and Liaoning Gongyuan. The Group's obligations in respect of the defined benefit obligations at the end of the reporting period were reviewed by Willis Towers Watson, a qualified independent actuary and a member of the Society of Actuaries and China Association of Actuaries, using the projected unit credit actuarial cost method.

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

27. EMPLOYEE BENEFITS (CONTINUED)

(c) Defined benefit obligations (Continued)

(i) Movements in the defined benefit obligations are set out as follows:

	2023 **RMB'000**	2022 RMB'000
At 1 January	**100,830**	107,730
Remeasurements	**(3,010)**	(2,100)
Payments	**(7,730)**	(8,040)
Current service cost	**460**	400
Interest expense	**2,650**	2,840
At 31 December	**93,200**	100,830

(ii) Expenses recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2023 **RMB'000**	2022 RMB'000
Interest expense (recognised as finance cost)	**2,650**	2,840
Current service cost (recognised as administrative expenses)	**460**	400
Total amounts recognised in profit for the year	**3,110**	3,240
Actuarial gain recognised in other comprehensive income for the year	**(3,010)**	(2,100)
Total defined benefit costs	**100**	1,140

27. EMPLOYEE BENEFITS (CONTINUED)

(c) Defined benefit obligations (Continued)

(iii) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2023	2022
Discount rate	**2.5%**	2.75%
Annual growth rate of cost of living	**3.00%-10.00%**	3.00%-10.00%
Social average salary increase rate	**10.00%**	10.00%
Average expected remaining working life of eligible employees	**5.9 years**	6.0 years

The below analysis shows how the defined benefit obligation as at 31 December 2023 and 2022 would have (increased)/decreased as a result of 0.5% change in the significant actuarial assumptions:

Discount rate	**2023** ***RMB'000***	2022 *RMB'000*
Effect on defined benefit obligation		
– Increase in 0.5%	**(4,280)**	(4,460)
– Decrease in 0.5%	**4,690**	4,870

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

28. DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
At 1 January	**302,223**	243,104
Addition during the year	**27,137**	70,922
Recognised in consolidated statement of profit or loss	**(13,353)**	(11,803)
At 31 December	**316,007**	302,223

Deferred income mainly represents the PRC local government grants received from relevant PRC authorities for fixed asset investments, such as cement and clinker plants and residual heat generation plants. The subsidies are recognised in the consolidated statement of profit or loss over the estimated useful lives of the respective property, plant and equipment. There are no unfulfilled conditions and contingencies relating to the grants.

29. LEASE LIABILITIES

	2023 RMB'000	2022 RMB'000
Lease liabilities payable:		
Within one year	**4,723**	5,935
Within a period of more than one year but not more than two years	**4,653**	4,436
Within a period of more than two year but not more than five years	**11,674**	12,259
Within a period of more than five years	**36,584**	39,270
	57,634	61,900
Less: portion classified as current liabilities	**(4,723)**	(5,935)
Non-current liabilities	**52,911**	55,965

The weighted average incremental borrowing rates applied to lease liabilities range from 3.21% to 4.85% (2022: 3.21% to 4.85%).

30. DEFERRED TAXATION

(a) Deferred tax assets and liabilities recognised

Movements in deferred tax assets and liabilities for the years ended 31 December 2023 and 2022 are as follows:

	At 1 January 2022 *RMB'000* (restated)	Recognised in profit or loss *RMB'000* (restated)	At 31 December 2022 *RMB'000* (restated)	Recognised in profit or loss *RMB'000*	**At 31 December 2023** *RMB'000*
Deferred tax assets					
Intra-group unrealised profits	73,023	(10,793)	62,230	(47,067)	**15,163**
Depreciation of property, plant and equipment	829	(263)	566	459	**1,025**
Tax loss *	–	75,429	75,429	(27,978)	**47,451**
Impairment losses on property, plant and equipment	29,753	58,381	88,134	29,971	**118,105**
Deferred income	32,275	1,176	33,451	16,335	**49,786**
Accrued bonus for staff	151	–	151	–	**151**
Long-term payables	96,123	7,592	103,715	9,734	**113,449**
Accrued expenses	13,763	(8,094)	5,669	15,911	**21,580**
Impairment losses of trade and bills receivables	47,543	(1,230)	46,313	(9,851)	**36,462**
Intangible assets	17,409	4,805	22,214	3,693	**25,907**
Lease liabilities	15,719	(244)	15,475	(1,066)	**14,409**
	326,588	126,759	453,347	(9,859)	**443,488**
Deferred tax liabilities					
Property, plant and equipment	(98,557)	(4,491)	(103,048)	(8,518)	**(111,566)**
Intangible assets	(7,645)	86	(7,559)	(1,113)	**(8.672)**
Accrued expenses	(5,493)	(225)	(5,718)	(240)	**(5,958)**
Restoration assets	(48,646)	(4,701)	(53,347)	(9,750)	**(63,097)**
ROU assets	(24,705)	6,953	(17,752)	1,529	**(16,223)**
	(185,046)	(2,378)	(187,424)	(18,092)	**(205,516)**
Total	141,542	124,381	265,923	(27,951)	**237,972**

* Deferred tax assets in respect of unused tax losses are related to subsidiaries that were established in recent years. They are now proceeding to their normal production stage and are generating taxable profits. Accordingly, it is considered probable that sufficient taxable profits will be available in the future to utilise their unused tax losses before they expire.

30. DEFERRED TAXATION (CONTINUED)

(a) Deferred tax assets and liabilities recognised (Continued)

Reconciliation to the consolidated statement of financial position

	2023	2022
	RMB'000	*RMB'000*
		(restated)
Net deferred tax assets recognised in the consolidated statement of financial position	**306,215**	317,403
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(68,243)**	(51,480)
	237,972	265,923

(b) Tax losses and deductible temporary differences not recognised

As at 31 December 2023, the Group has unused tax losses of RMB2,498,456,000 (2022: RMB1,676,599,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB189,804,000 (2022: RMB301,716,000) of such losses. The Group did not recognise deferred tax assets in respect of tax losses of certain PRC subsidiaries of RMB2,308,652,000 (2022: RMB1,374,883,000), as it is not probable that future taxable profits which the losses and deductible temporary differences can be utilised will be available. Included in unrecognised tax losses as at 31 December 2023 are losses of RMB174,246,000, RMB370,249,000, RMB161,988,000, RMB240,823,000, RMB1,361,346,000 that will be expired in 2024, 2025, 2026, 2027 and 2028, respectively (2022: RMB 435,341,000, RMB 290,572,000, RMB315,739,000, RMB132,837,000 and RMB200,394,000 that will be expired in 2023, 2024, 2025, 2026 and 2027, respectively). Unrecognised tax losses amounting to RMB544,672,000 (2022: RMB358,953,000) was expired as at 31 December 2023.

As at 31 December 2023, the Group did not recognise deferred tax assets in respect of deductible temporary differences of certain PRC subsidiaries of RMB83,040,000 (2022: RMB26,636,000), as it is not probable that future taxable profits which the losses and deductible temporary differences can be utilised will be available.

(c) Deferred tax liabilities not recognised

Under the prevailing PRC income tax law and its relevant regulations, foreign corporate investors are levied PRC dividend withholding tax at 10%, unless reduced by tax treaties/arrangements, on dividends declared by PRC-resident enterprises for profits earned subsequent to 1 January 2008.

As at 31 December 2023, temporary differences relating to the undistributed profits of the Company's PRC subsidiaries amounted to RMB21,245,391,000 (2022: RMB21,436,091,000). Deferred tax liabilities of RMB2,124,539,100 (2022: RMB2,143,609,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to the written resolutions of the Company's shareholders passed on 14 June 2008, the Company has adopted the share option scheme (the "**Share Option Scheme**") whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, and any customer or supplier or any persons who has contributed or will contribute to the Group, to take up options.

Pursuant to the written resolution of the Company's board of directors passed on 27 January 2015, the directors of the Company granted certain directors and employees of the Group to take up options to subscribe for 163,700,000 ordinary shares of the Company under the Share Option Scheme. The exercise price of these options is HKD3.68, being the average closing price of the Company's ordinary shares immediately before the grant. These share options were vested six months after being granted and would be exercisable until 26 January 2025. The 163,700,000 options granted by the Company on 27 January 2015 do not include the 43,600,000 options which were conditionally granted to Mr. Zhang Caikui and Mr. Zhang Bin, the ex-directors of the Company. According to the Listing Rules and the Share Option Scheme of the Company, the options granted to Mr. Zhang Caikui and Mr. Zhang Bin required the approval of the shareholders of the Company at an extraordinary general meeting of the Company. However, up until the date of the approval of these consolidated financial statements, the required extraordinary general meeting has not been held. As all the options granted on 27 January 2015 are subject to certain legal proceedings, the Company has given an undertaking on 6 January 2016 that it will not take any step to implement these options before a court decision is made. For details, please refer to the announcements of the Company dated 27 February 2015, 16 March 2015, 18 March 2015, 27 July 2015 and 29 March 2016. Accordingly, the options which were conditionally granted to Mr. Zhang Caikui and Mr. Zhang Bin have not been granted. Of the 163,700,000 options granted by the Company on 27 January 2015 to certain directors and employees of the Group, 73,400,000 (2022: 73,300,000) options were lapsed as at 31 December 2023 in accordance with the terms of the Share Option Scheme.

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

The movements of the Company's share options for the years ended 31 December 2023 and 2022 are as follows:

Type of participants	Date of grant	Vesting Condition	Contractual life of options	Exercise price per share	Outstanding at 1.1.2022	Lapsed during the year	Outstanding at 31.12.2022	Lapsed during the year	Outstanding at 31.12.2023
2015 share options									
Employees	27 January 2015	Six months after the date of grant	10 years	HK$3.68	92,300,000	(1,900,000)	90,400,000	(100,000)	90,300,000
					92,300,000	(1,900,000)	90,400,000	(100,000)	90,300,000
Exercisable as at the stated date					92,300,000		90,400,000		90,300,000
Weighted average exercise price (HK$ per share)					3.68		3.68		3.68

No options were exercised during the years ended 31 December 2023 and 2022.

32. CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	Number of share	RMB equivalent *RMB'000*
Ordinary shares of the Company of USD0.01 each		
Authorised:		
At 1 January 2022, 31 December 2022 and 31 December 2023	10,000,000,000	701,472
Issued and fully paid:		
At 1 January 2022, 31 December 2022 and 31 December 2023	**4,353,966,228**	**295,671**

(b) Dividends

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

During the year ended 31 December 2023, a final dividend of no more than RMB0.07 per share for the year ended 31 December 2022 (the "**2022 Final Dividend**") (2022: a final dividend of no more than RMB0.256 per share for the year ended 31 December 2021) 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 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 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.

32. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account of the Company is governed by the Companies Law (Revised) of the Cayman Islands.

(ii) Statutory reserves

Statutory reserves of the Group were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors. The statutory reserve consist of statutory reserve funds and maintenance and production funds.

For the entities concerned, statutory reserves fund can be used to offset accumulated losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance after such conversion is not less than 25% of the registered capital.

According to relevant PRC regulations, the Group is required to transfer an amount to specific reserve for the maintenance and production funds and other related expenditures.

(iii) Other reserves

Other reserves of the Group mainly include:

(a) the differences of consideration over the net assets of subsidiaries acquired under common control in 2005;

(b) the differences of consideration over the net assets of non-controlling interests acquired by Shandong Shanshui in 2005;

(c) the difference between the nominal value of the share capital of the Company and the nominal value of the share capital and share premium of China Shanshui (HK) on the Share Swap; and

(d) the difference between the considerations of acquisition or disposal of equity interests from/to non-controlling equity owners and the carrying amount of the proportionate net assets.

32. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Nature and purpose of reserves (Continued)

(iv) Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(d) Distributability of reserves

Under the Companies Law of the Cayman Islands, the funds in the share premium account net of the accumulated losses account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Any distributions proposed by the directors of the Company is subject to the approval of the Company's shareholders at the annual general meeting and all necessary order and approval from the Grand Court given the outstanding winding-up petition against the Company.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including all bank loans and other borrowings, if any, as shown in the consolidated statement of financial position) less bank balances and cash. Total capital is calculated as total equity plus net debt.

32. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management (Continued)

The net gearing ratio of the Group is as follows:

	Notes	**2023** ***RMB'000***	2022 *RMB'000* (restated)
Bank loans – amount due within one year	24	**4,332,147**	2,780,603
Bank loans – amount due after one year	24	**800,310**	835,000
Total debt		**5,132,457**	3,615,603
Less: Bank balances and cash	23	**(2,254,037)**	(2,124,362)
Net debt		**2,878,420**	1,491,241
Total equity		**18,403,364**	19,432,600
Total capital		**21,281,784**	20,923,841
Net gearing ratio*		**13.5%**	7.1%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

* Net gearing ratio = net debt/ (net debt + equity of the Company).

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023	2022
	RMB'000	*RMB'000*
Financial assets		
At FVTPL	**15,180**	18,208
At amortised cost	**6,132,010**	5,361,848
	6,147,190	**5,380,056**
Financial liabilities		
Amortised cost	**11,041,076**	10,426,394
Lease liabilities	**57,634**	61,900
	11,098,710	10,488,294

(b) Financial risk management objectives and policies

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(i) Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and bills receivable and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Generally, the Group requires full payment upon delivery of goods for sales of cement, clinker and aerated bricks. Credit sales with general credit period of 30 to 60 days are occasionally allowed to certain selected customers with good credit histories and 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 a credit period ranging from 90 days to 180 days.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

The Group generally does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In respect of trade receivable for sales of cement, clinker and aerated bricks, individual credit evaluations are only performed when the customers required credit. In respect of trade receivable for sales of pipes and concrete, individual credit evaluations are performed on all customers requiring credit over a certain amount. In order to minimise the credit risk, the management of the Group has delegated a team to be responsible for evaluations and determination of credit limits and credit approvals. These evaluations focus on the customer's construction project size, the customer's payment history take into account information specific to the customer, as well as pertaining to the economic environment in which the customer operates. For sales of pipes and concrete, debtors with balances that are more than six months past due are requested to settle all outstanding balances before any further credit is granted. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The bills receivables are all issued by reputable banks of good credit quality. The management of the Group considered the credit risk of these bank issued bills is insignificant and no impairment was provided on them at the year end.

The credit risks on restricted bank deposits, fixed bank deposits and bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical location is mainly in the PRC as of 31 December 2023 and 2022. Other than that, the Group does not have any other significant concentration of credit risk.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and bills receivables	Other financial assets
Low Risk	The aging of the exposure at default ("EAD") is less than 60 days. Based on Management's assessment of debtor's typical project and payment processes, aging of EAD of less than 60 days is considered current.	Lifetime ECL– not credit-impaired	12m ECL
Fair Risk	The aging of EAD is less than 1 year. Based on Management's assessment of debtor's typical payment process in the industry, aging of EAD of less than 1 year is considered reasonable.	Lifetime ECL– not credit-impaired	12m ECL
Substandard	The risk of non-payment increases as the time period is longer than normal expected process.	Lifetime ECL– not credit-impaired	Lifetime ECL– not credit-impaired
Doubtful	Indicates the aging of the debtor is within 2 years, the recovery of complete payments may be difficult.	Lifetime ECL– credit-impaired	Lifetime ECL– credit-impaired
Loss	Indicates the aging of the debtor is more than 2 years, the recovery of complete payment becomes unlikely.	Lifetime ECL– credit-impaired	Lifetime ECL– credit-impaired

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

Financial asset with credit risk exposure

Trade receivables

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its business operation. The Group measures loss allowance for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significant different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2023 and 2022:

	31 December 2023			31 December 2022		
	Expected loss rate	**Gross carrying amount** *RMB'000*	**Loss allowance** *RMB'000*	Expected loss rate	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Type 1: Customers which the Group expected that they will pay on time:						
Grade 1 – Low risk	**0.05%**	**146,522**	**69**	0.04%	107,086	40
Grade 2 – Fair risk	**7.05%**	**1,062,510**	**74,931**	7.05%	976,243	68,796
Grade 3 – Substandard	**14.17%**	**117,641**	**16,671**	14.98%	179,869	26,939
		1,326,673	**91,671**		1,263,198	95,775
Type 2: Credit impaired customer:						
Grade 4 – Doubtful	**28.95%**	**71,353**	**20,654**	30.60%	211,138	64,599
Grade 5 – Loss	**54.86%**	**199,750**	**109,576**	36.41%	98,500	35,864
		271,103	**130,230**		309,638	100,463
Type 3: Other customers:						
Assessed individually	**100%**	**40,527**	**40,527**	100%	62,147	62,147
		1,638,303	**262,428**		1,634,983	258,385

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

Financial asset with credit risk exposure (Continued)

Trade receivables (Continued)

The estimated loss rates are estimated based on evaluation of collectability and on management's judgment, including the current creditworthiness and the past collection statistics in respect of the debtors and are adjusted for forward-looking information (considering the weighted impact to the loss rates caused by industry change, growth in economy, etc., with reference to statistical data from professional institutes) that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtor is updated.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	RMB'000
As at 1 January 2022	293,206
Impairment losses recognised	7,858
Impairment losses reversed	(13,989)
Uncollectible amount written off	(28,690)
At 31 December 2022	258,385
Impairment losses recognised	173,512
Impairment losses reversed	(130,200)
Uncollectible amount written off	(39,269)
At 31 December 2023	**262,428**

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

Financial asset with credit risk exposure (Continued)

Other receivables

Deposits and amounts due from related parties, which are measured at amortised cost were considered of low credit risk, and thus the impairment provision recognised during the year was limited to 12m ECL.

For amounts due from third parties and other receivables, the management make periodic individual assessment on the recoverability based on historical settlement records, past experience, quantitative and qualitative information that is reasonable and supportive forward-looking information.

As at 31 December 2023, included in amounts due from third parties are amounts due from the former shareholders of certain subsidiaries of the Group, of aggregate gross carrying amounts of RMB375,425,000 (2022: RMB377,107,000). The former shareholders were in financial difficulties and the management of the Group considers the probability of default is significant in view that these amounts have been overdue for a long period of time. Accordingly, loss allowance of RMB361,793,000 (2022: RMB361,673,000) was provided for these amounts as at 31 December 2023 and 2022.

For the remaining balances of amounts due from third parties and other receivables of aggregate gross carrying amounts of RMB865,771,000 (2022: RMB900,936,000), the management of the Group considers the probability of default by assessing the counterparties' financial background and creditability and accordingly, loss allowance of approximately RMB235,024,000 (2022: RMB238,737,000) was provided as at 31 December 2023.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

Financial asset with credit risk exposure (Continued)

Other receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for other receivables as at 31 December 2023 and 2022:

	31 December 2023			31 December 2022		
	Expected loss rate	**Gross carrying amount** *RMB'000*	**Loss allowance** *RMB'000*	Expected loss rate	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Type 1: Debtors which the Group expected that they will pay on time:						
Grade 1 – Low risk	**–**	**635,672**	**–**	0.01%	671,914	7
Grade 2 – Fair risk	**–**	**–**	**–**	2.27%	458	10
Grade 3 – Substandard	**21.57%**	**5,552**	**1,198**	22.54%	2,688	606
		641,224	**1,198**		675,060	623
Type 2: Credit impaired debtors:						
Grade 4 – Doubtful	**54.67%**	**9,602**	**5,249**	36.41%	5,026	1,830
Grade 5 – Loss	**100%**	**590,370**	**590,370**	100%	597,957	597,957
		599,972	**595,619**		602,983	599,787
		1,241,196	**596,817**		1,278,043	600,410

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk and impairment assessment (Continued)

Financial asset with credit risk exposure (Continued)

Other receivables (Continued)

Movement in the loss allowance account in respect of other receivables during the year is as follows:

	RMB'000
As at 1 January 2022	576,065
Impairment losses recognised	50,856
Impairment losses reversed	(26,511)
At 31 December 2022	600,410
Impairment losses recognised	25,018
Impairment losses reversed	(23,845)
Uncollectible amount written off	(4,766)
At 31 December 2023	**596,817**

(ii) Liquidity risk

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, so that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

Shandong Shanshui and the Company are responsible for the Group's overall cash management and the raising of borrowings in the mainland China or overseas market to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

During the current year, the Group experienced a loss for the year of RMB1,050,106,000 and as at 31 December 2023, the Group's current liabilities exceeded its current assets by RMB2,305,538,000. Its total interest-bearing bank loans amounted to RMB5,132,457,000, out of which RMB4,332,147,000 are due within 12 months from the end of reporting period. In addition, there is a winding-up petition against the Company, details of which are disclosed in note 35(b), which is pending resolution.

In view of such circumstances, 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 are of the opinion 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, the bank balances and cash and fixed bank deposits of the Group amounted to RMB2,254,037,000 and RMB512,481,000 (2022: RMB2,124,362,000 and nil). The management of the Group also managed to generate net cash inflow from operating activities for the current year amounting to RMB424,228,000 (2022: RMB2,658,434,000). Certain measures have been and are being undertaken to manage the Group's liquidity needs and to improve its financial position, which include, but are not limited to, the followings:

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

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

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

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

The directors of the Company have carried out a detailed review of the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the loan finance which may impact the operations of the Group during the next twelve-month period. They are of the opinion that, taking into account the above-mentioned plans and measures, 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.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2023 Contractual undiscounted cash outflow						
	Within 3 months or on demand	**More than 3 months but less than 6 months**	**More than 6 months but less than 1 year**	**More than 1 year but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Bank loans *(note 24)*	**1,036,470**	**2,406,173**	**945,715**	**872,619**	**–**	**5,260,977**	**5,132,457**
Trade payable *(note 25)*	**3,855,229**	**–**	**–**	**–**	**–**	**3,855,229**	**3,855,229**
Other payables and accrued expenses *(note 26(a))*	**1,749,591**	**–**	**–**	**–**	**–**	**1,749,591**	**1,749,591**
Long-term payables *(note 26(c))*	**–**	**–**	**–**	**–**	**854,219**	**854,219**	**303,799**
Lease liabilities *(note 29)*	**45**	**1,976**	**5,229**	**24,707**	**55,979**	**87,936**	**57,634**
	6,641,335	**2,408,149**	**950,944**	**897,326**	**910,198**	**11,807,952**	**11,098,710**

	2022 Contractual undiscounted cash outflow						
	Within 3 months or on demand	More than 3 months but less than 6 months	More than 6 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans *(note 24)*	201,853	1,237,444	1,404,174	886,281	–	3,729,752	3,615,603
Trade payable *(note 25)*	4,711,006	–	–	–	–	4,711,006	4,711,006
Other payables and accrued expenses *(note 26(a))*	1,858,690	–	–	–	–	1,858,690	1,858,690
Long-term payables *(note 26(c))*	–	–	–	–	695,517	695,517	241,095
Lease liabilities *(note 29)*	–	1,874	6,777	28,234	57,868	94,753	61,900
	6,771,549	1,239,318	1,410,951	914,515	753,385	11,089,718	10,488,294

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Interest rate risk

Cash and cash equivalents, pledged bank deposits, bank loans and other borrowings are the major types of the Group's financial instruments subject to interest rate risk.

The Group is exposed to fair value interest rate risk in relation to fixed rate bank loans and other borrowings (see notes 24 for details of these borrowings). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 23 for details) and variable-rate bank loans (see below for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of base rate announced by the People's Bank of China or applicable market rates arising from the Group's Renminbi denominated borrowings. The management does not anticipate fluctuation of interest rate to have significant impact to cash and cash equivalents and pledged bank deposits because the interest rates of the bank deposits are not expected to change significantly. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing bank loans and other borrowings at the end of the reporting period.

	2023		2022	
	Effective interest rate		Effective interest rate	
	%	***RMB'000***	*%*	*RMB'000*
Fixed rate borrowings:				
Bank loans	**3.75%-4.35%**	**2,665,397**	3.85%-4.35%	1,452,000
		2,665,397		1,452,000
Variable rate borrowings:				
Bank loans	**3.48%-4.54%**	**2,467,060**	4.16%-4.97%	2,163,503
		2,467,060		2,163,503
Total borrowings		**5,132,457**		3,615,503
Net fixed rate borrowings as a percentage of total borrowings		**52%**		40%

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis above indicates the instantaneous change in the Group's loss or profit for the year (and accumulated profit) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and in respect of the exposure to cash flow interest rate risk arising from variable-rate bank loans of the Group at the end of the reporting period. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant. The impact on the Group's loss or profit for the year (and accumulated profit) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2022 and 2023.

At 31 December 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year (and decrease/increase accumulated profit) by approximately RMB18,503,000 (2022: decrease/increase the Group's profit for the year and accumulated profit by RMB16,213,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

(iv) Currency risk

The Group does not have significant currency risk.

The Group did not hedge its foreign currency exposure other than by retaining its foreign currency denominated earnings and receipts to the extent permitted by the State Administration of Foreign Exchange. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(v) Equity price risk

The Group is exposed to equity price changes primarily arising from the investments in equity securities measured at FVTPL (see note 18).

For equity securities measured at FVTPL quoted in the Shanghai Stock Exchange, the investments have been chosen by the management based on its longer term growth potential and is monitored regularly by the management for performance against expectations.

For unquoted equity securities measured at FVTPL, they are susceptible to market price risk arising from uncertainties about future values of those instruments. The management provides the Group with internal investment recommendations. To manage the price risk, the management reviews the performance of the portfolio companies on an semi-annual basis and is in regular contact with the management of the portfolio companies for business and operational matters. Results of these reviews are reported regularly to the board of directors.

At 31 December 2023, it is estimated that an increase/decrease of 50% (2022: 50%) in the relevant stock price of the listed investment with all other variables held constant, would have decreased/increased the Group’s loss for the year (and increased/decreased accumulated profit) by RMB2,762,000 (2022: increased/decreased profit for the year and accumulated profit by RMB2,281,000) as a result of the change in the stock price of the listed investment.

The sensitivity analysis indicates the instantaneous change in the Group’s loss or profit for the year and accumulated profit that would arise assuming that the changes in the stock price had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group’s equity investments would change in accordance with the historical correlation with the relevant stock price, that none of the Group’s financial assets at FVTPL would be considered impaired as a result of the decrease in the relevant stock price, and that all other variables remain constant. The analysis is performed on the same basis for 2022 and 2023.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments

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

(i) Fair value measurement and valuation process

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

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

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

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

Financial assets	Fair value as at 31/12/2023 *RMB'000*	Fair value as at 31/12/2022 *RMB'000*	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to the fair value
1 Equity securities listed in the PRC classified as financial assets at FVTPL	7,365	6,082	Level 1	Quoted bid prices in an active market	N/A	N/A
2 Unquoted equity investments in PRC non-listed companies classified as financial assets at FVTPL	7,815	12,126	Level 3	Guideline public company method	Discount for lack of marketability: 15% (2022: 15%)	The higher the discount for lack of marketability, the lower the fair value
					Price-to-earnings ("PE") ratio: 4.53 (2022: 5.74)	The higher the PE, the higher the fair value

33. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (Continued)

(iii) Reconciliation of Level 3 fair value measurements

	Unlisted equity securities *RMB'000*
At 1 January 2022	**15,005**
Fair value gain (included in profit or loss)	**(2,879)**
At 31 December 2022 and 1 January 2023	**12,126**
Withdrawal of investment	**(2,857)**
Fair value loss (included in profit or loss)	**(1,454)**
At 31 December 2023	**7,815**

(iv) Fair values of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their corresponding fair values.

34. CAPITAL COMMITMENTS

	2023	2022
	RMB'000	*RMB'000*
Capital expenditure in respect of the acquisitions of property, plant and equipment authorised and contracted for but not provided for in the consolidated financial statements	**1,275,929**	1,457,927

35. 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 contract 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 these consolidated financial statements 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 Caymen 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 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.

35. CONTINGENT LIABILITIES AND OTHER EVENTS (CONTINUED)

(b) Litigation in the Cayman Islands (Continued)

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

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

On 19 March 2021, the Cayman Petition was served on CNBM and ACC. Thereafter, at a further hearing of the Summons on 16 July 2021, the Grand Court ordered that the Cayman Petition be treated as an inter-party proceeding between Tianrui, CNBM and ACC, save that the Company may also participate for the purpose of discovery and to be heard regarding the appropriate remedy should the Cayman Petition be granted. At the hearing, Tianrui conceded that the only relief it was seeking in the winding-up proceedings was the liquidation of the Company and was ordered to amend its Cayman Petition accordingly. The Grand Court also granted leave to Tianrui to amend the 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 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 report, 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.

35. CONTINGENT LIABILITIES AND OTHER EVENTS (CONTINUED)

(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 of the above, as at 31 December 2023, 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.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Other payables *(note 26)* *RMB'000*	Lease liabilities *(note 29)* *RMB'000*	Bank loans *(note 24)* *RMB'000*	Other borrowings *RMB'000*	Total *RMB'000*
At 1 January 2022	828,105	62,875	2,527,750	909	3,419,639
Proceeds from new bank loans	–	–	3,611,603	–	3,611,603
Repayment of bank loans	–	–	(2,523,750)	–	(2,523,750)
Repayment of other borrowings	–	–	–	(909)	(909)
Repayment of lease liabilities	–	(14,177)	–	–	(14,177)
Total changes from financing cash flow	–	(14,177)	1,087,853	(909)	1,072,767
Interest paid classified as operating cash outflow	(116,401)	–	–	–	(116,401)
Additions to liabilities	–	10,307	–	–	10,307
Interest expense	115,964	2,895	–	–	118,859
Exchange difference	69,069	–	–	–	69,069
At 31 December 2022	896,737	61,900	3,615,603	–	4,574,240

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Other payables *(note 26)* *RMB'000*	Lease liabilities *(note 29)* *RMB'000*	Bank loans *(note 24)* *RMB'000*	Total *RMB'000*
At 1 January 2023	896,737	61,900	3,615,603	4,574,240
Proceeds from new bank loans	–	–	4,895,411	4,895,411
Repayment of bank loans	–	–	(3,378,557)	(3,378,557)
Repayment of lease liabilities	–	(8,993)	–	(8,993)
Total changes from financing cash flow	–	(8,993)	1,516,854	1,507,861
Interest paid classified as operating cash outflow	(156,353)	–	–	(156,353)
Additions to liabilities	–	1,947	–	1,947
Interest expense	160,924	2,780	–	163,704
Exchange difference	13,437	–	–	13,437
At 31 December 2023	914,745	57,634	5,132,457	6,104,836

37. RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties

Apart from the transactions and the balances with related parties disclosed elsewhere in these consolidated financial statements, the Group also entered into the following significant transactions with related parties during the years ended 31 December 2023 and 2022:

	2023 *RMB'000*	2022 *RMB'000*
Sales		
Associates of the Group	**5,020**	10,318
Fellow subsidiary of a major shareholder of the Company	**1,708**	5,286
Subsidiaries of a major shareholder of the Company	**15,143**	12,341
	21,871	27,945
Purchases		
Associates of the Group	**22,374**	–
Fellow subsidiary of a major shareholder of the Company	**9,806**	23,584
Subsidiaries of a major shareholder of the Company	**44,859**	102,914
Associate of a major shareholder of the Company	**1,990**	8,326
	79,029	134,824
Mining service fees		
Fellow subsidiary of a major shareholder of the Company	**3**	162
Subsidiaries of a major shareholder of the Company	**601,718**	607,966
	601,721	608,128
Engineering service fee		
Fellow subsidiary of a major shareholder of the Company	**9,661**	6,166
Subsidiaries of a major shareholder of the Company	**286,350**	520,241
	296,011	526,407
Management fee		
Associates of the Group	**287**	925
Transportation fee		
Associate of the Group	**252,067**	174,592

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

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties

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

	As at 31 December 2023	As at 31 December 2022
	RMB'000	*RMB'000*
Trade receivables from (note (i)):		
Subsidiaries of a major shareholder of the Company	**5,149**	179
Prepayments to (note (i)):		
Fellow subsidiary of a major shareholder of the Company	**4,551**	2,659
Subsidiaries of a major shareholder of the Company	**79,069**	78,779
Associate of a major shareholder of the Company	**–**	222
	83,620	81,660
Other receivables from (note (i)):		
Shareholder of the Company	**786**	775
Associates of the Group	**193**	10,371
Subsidiaries of a major shareholder of the Company	**800**	872
	1,779	12,018
Trade payable to (note (i)):		
Associates of the Group	**58,130**	58,793
Fellow subsidiary of a major shareholder of the Company	**2,551**	1,391
Subsidiaries of a major shareholder of the Company	**290,716**	344,443
	351,397	404,627

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties (Continued)

	As at 31 December 2023 ***RMB'000***	As at 31 December 2022 *RMB'000*
Contract liabilities from (note (i)):		
Associate of the Group	**–**	305
Fellow subsidiary of a major shareholder of the Company	**12**	1,966
Subsidiary of a major shareholder of the Company	**390**	499
Associate of a major shareholder of the company	**–**	8
	402	2,778
Other payables to:		
Shareholder of the Company (note (ii))	**909,427**	895,990
Associates of the Group	**1,390**	95
Subsidiaries of a major shareholder of the Company	**4,669**	3,659
	915,486	899,744

Notes:

(i) The amounts are unsecured, interest free and repayable on demand.

(ii) The amount represented loans from Tianrui Group which are denominated in USD and HKD. As at 31 December 2023, the outstanding loans with total principal of RMB909,427,000 (2022: RMB895,990,000) are unsecured, interest free and repayable on demand. The loans are at present subject to dispute by the Group as set out in note 35(c).

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel remuneration

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

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in note 11, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Salary, allowances and other benefits	**23,598**	27,902
Contributions to defined contribution retirement plans	**661**	619
	24,259	28,521

The remuneration of directors and senior management is recommended by the Remuneration Committee based on the performance of individuals and market trends and determined by the Board of Directors.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 **RMB'000**	2022 RMB'000
Non-current assets		
Property, plant and equipment	**–**	–
Investments in a subsidiary	**680,382**	680,382
Amounts due from subsidiaries	**4,341,302**	4,293,537
	5,021,684	4,973,919
Current assets		
Other receivables	**371**	625
Fixed bank deposits	**212,481**	–
Cash and cash equivalents	**276,386**	513,784
	489,238	514,409
Current liabilities		
Amount due to a subsidiary	**1,361,436**	1,348,889
Other payables and accrued expenses	**944,172**	936,786
	2,305,608	2,285,675
Net current liabilities	**(1,816,370)**	(1,771,266)
Net assets	**3,205,314**	3,202,653
Capital and reserves		
Share capital	**295,671**	295,671
Reserves	**2,909,643**	2,906,982
Total equity	**3,205,314**	3,202,653

The Company's statement of financial position was approved and authorised for issue by the board of directors on 15 March 2024 and were signed on its behalf by:

LI Huibao
Director

WU, Ling-ling
Director

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movements in the Company's reserves

	Share premium *RMB'000*	Other reserves *RMB'000*	Exchange reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 31 December 2022	**8,235,037**	**413,035**	**(566,413)**	**(5,294,563)**	**2,787,096**
Total comprehensive income/(expenses) for the year	–	–	246,445	(126,559)	119,886
At 31 December 2022	**8,235,037**	**413,035**	**(319,968)**	**(5,421,122)**	**2,906,982**
Total comprehensive income/(expenses) for the year	–	–	48,709	(46,048)	2,661
At 31 December 2023	**8,235,037**	**413,035**	**(271,259)**	**(5,467,170)**	**2,909,643**

39. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2023	2022	**2023**	2022	**2023**	2022	
(a) Enterprises established in Hong Kong									
China Shanshui Cement Group (Hong Kong) Company Limited 中國山水水泥集團(香港)有限公司	Hong Kong, PRC 25 January 2005	HKD10,000	**100.00**	100.00	**100.00**	100.00	**–**	–	Investment holding
China Pioneer Cement (Hong Kong) Company Limited 中國先鋒水泥(香港)有限公司	Hong Kong, PRC 25 January 2005	HKD0.01	**100.00**	100.00	**–**	–	**100.00**	100.00	Investment holding
(b) Enterprises established outside the PRC									
Continental Cement Corporation 康達水泥有限公司	British Virgin Islands 30 May 2000	USD100	**100.00**	100.00	**–**	–	**100.00**	100.00	Investment holding
American Shanshui Development INC. 美國山水發展公司	Delaware, U.S.A. 28 June 2012	Paid-in capital USD1,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Selling agent of cement product and building materials

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2023	2022	**2023**	2022	**2023**	2022	
(c) Wholly foreign-owned enterprises established in the PRC									
Shandong Shanshui Cement Group Ltd. 山東山水水泥集團有限公司	Shandong, PRC 10 August 2001	Registered capital of RMB3,633,000,000 and paid-in capital RMB3,623,028,752	**100.00**	100.00	**–**	–	**100.00**	100.00	Investment holding
Continental (Shandong) Cement Corporation 康達(山東)水泥有限公司	Shandong, PRC 6 April 2002	USD39,565,500	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and clinker
Shandong Shanshui Financial Leasing Co., Ltd. 山東山水融資租賃有限公司	Shandong, PRC 18 July 2014	RMB230,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Offering financial leasing service
(d) Sino-foreign equity joint venture enterprises established in the PRC									
Pingyin Shanshui Cement Co., Ltd. 平陰山水水泥有限公司	Shandong, PRC 1 August 2003	RMB178,000,000	**98.97**	98.97	**–**	–	**99.65**	99.65	Production and sales of cement and clinker
Anqiu Shanshui Cement Co., Ltd. 安丘山水水泥有限公司	Shandong, PRC 4 August 2003	RMB226,500,000	**99.00**	99.00	**–**	–	**99.70**	99.70	Production and sales of cement and clinker
Weihai Shanshui Cement Co., Ltd. 威海山水水泥有限公司	Shandong, PRC 25 March 2008	USD24,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2023	2022	**2023**	2022	**2023**	2022	
(d) Sino-foreign equity joint venture enterprises established in the PRC (continued)									
Dandong Shanshui Gongyuan Cement Co., Ltd. 丹東山水工源水泥有限公司	Liaoning, PRC 31 March 2008	USD12,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Qingdao Shanshui Chuangxin Cement Co., Ltd. 青島山水創新水泥有限公司	Shandong, PRC 25 April 2008	USD28,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Shenyang Shanshui Gongyuan Cement Co., Ltd. 瀋陽山水工源水泥有限公司	Liaoning, PRC 9 July 2008	USD16,587,400	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Linqu Shanshui Cement Co., Ltd. 臨朐山水水泥有限公司	Shandong, PRC 18 July 2008	Registered capital of USD25,000,000 and paid-in capital USD24,990,700	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and clinker
Zaozhuang Chuangxin Shanshui Cement Co., Ltd. 棗莊創新山水水泥有限公司	Shandong, PRC 5 September 2008	USD30,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and clinker
Linqu Shanshui Building Material Aggregate Co., Ltd. 臨朐山水建材骨料有限公司	Shandong, PRC 27 December 2012	USD5,060,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of concrete aggregate

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2023	2022	**2023**	2022	**2023**	2022	
(e) Domestic companies established in the PRC									
Liaoyang Qianshan Cement Co., Ltd. 遼陽千山水泥有限責任公司	Liaoning, PRC 5 June 1989	Registered capital of RMB100,000,000 and paid-in capital RMB98,840,700	**73.00**	73.00	**–**	–	**73.00**	73.00	Production and sales of cement and clinker
Shandong Cement Factory Co., Ltd. 山東水泥廠有限公司	Shandong, PRC 3 April 1990	RMB182,000,000	**99.00**	99.00	**–**	–	**99.00**	99. 00	Production and sales of cement, concrete and limestone
Guangrao Shanshui Cement Co., Ltd. 廣饒山水水泥有限公司	Shandong, PRC 8 May 1998	RMB18,760,000	**70.00**	70.00	**–**	–	**70.00**	70.00	Production and sales of cement
Liaoning Gongyuan 遼寧山水工源水泥有限公司	Liaoning, PRC 13 July 1998	RMB2,000,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement, clinker and related products
Feicheng Shanshui Cement Co., Ltd. 肥城山水水泥有限公司	Shandong, PRC 16 June 1999	RMB30,000,000	**90.00**	90.00	**–**	–	**90.00**	90.00	Production and sales of cement

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2023	2022	**2023**	2022	**2023**	2022	
(e) Domestic companies established in the PRC (continued)									
Chifeng Yuanhang 赤峰山水遠航水泥有限公司	Inner Mongolia, PRC 5 August 2000	RMB200,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement, clinker and related products
Jinan Shi-ji Chuang-xin Cement Co., Ltd. 濟南世紀創新水泥有限公司	Shandong, PRC 17 January 2002	RMB41,460,000	**95.18**	95.18	**–**	–	**95.18**	95.18	Production and sales of cement and related products
Tianjin City Tianhui Cement Co., Ltd. 天津市天暉水泥有限公司	Tianjin, PRC 22 July 2002	RMB16,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Changle Shanshui Cement Co., Ltd. 昌樂山水水泥有限公司	Shandong, PRC 30 July 2002	RMB24,700,000	**99.00**	99.00	**–**	–	**99.00**	99.00	Production and sales of cement, clinker and concrete
Yantai Shanshui Cement Co., Ltd. 煙台山水水泥有限公司	Shandong, PRC 22 November 2002	RMB155,500,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and clinker

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2023	2022	**2023**	2022	**2023**	2022	
(e) Domestic companies established in the PRC (continued)									
Jinan Shanshui Wuliugang Co., Ltd. 濟南山水物流港有限公司	Shandong, PRC 28 March 2003	RMB10,000,000	**99.00**	99.00	**–**	–	**99.00**	99.00	Sales of coal and product; sales of metal parts and instrumentation equipment
Binzhou Shanshui Cement Co., Ltd. 濱州山水水泥有限公司	Shandong, PRC 30 July 2003	RMB5,000,000	**99.00**	99.00	**–**	–	**99.00**	99.00	Production and sales of cement
Shandong Shanshui Cement Industrial Design Development Co., Ltd. 山東山水水泥工業設計開發有限公司	Shandong, PRC 1 August 2003	RMB6,000,000	**90.00**	90.00	**–**	–	**90.00**	90.00	Development and sales of machinery and electronics, management of construction project and technical consultation
Liaocheng Shanshui Cement Co., Ltd. 聊城山水水泥有限公司	Shandong, PRC 1 August 2003	RMB20,000,000	**99.00**	99.00	**–**	–	**99.00**	99.00	Production and sales of cement and concrete
Gucheng Shanshui Cement Co., Ltd. 故城山水水泥有限公司	Hebei, PRC 4 August 2003	RMB5,000,000	**99.00**	99.00	**–**	–	**99.00**	99.00	Production and sales of cement
Dongying Shanshui Cement Co., Ltd. 東營山水水泥有限公司	Shandong, PRC 4 August 2003	RMB5,000,000	**99.00**	99.00	**–**	–	**99.00**	99.00	Production and sales of cement

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2023	2022	**2023**	2022	**2023**	2022	
(e) Domestic companies established in the PRC (continued)									
Zibo Shanshui Cement Co., Ltd. 淄博山水水泥有限公司	Shandong, PRC 5 August 2003	RMB60,000,000	**99.00**	99.00	**–**	–	**99.00**	99.00	Production and sales of clinker and limestone
Weifang Shanshui Cement Co., Ltd. 潍坊山水水泥有限公司	Shandong, PRC 29 December 2003	RMB150,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement, limestone and concrete
Qingdao Shanshui Hengtai Cement Co., Ltd. 青島山水恒泰水泥有限公司	Shandong, PRC 10 June 2004	RMB200,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Zibo Shuangfeng Shanshui Cement Co., Ltd. 淄博雙鳳山水水泥有限公司	Shandong, PRC 1 July 2004	RMB150,000,000	**99.93**	99. 93	**–**	–	**99.93**	99. 93	Production and sales of cement

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2023	2022	**2023**	2022	**2023**	2022	
(e) Domestic companies established in the PRC (continued)									
Zaozhuang Shanshui Cement Co., Ltd. 棗莊山水水泥有限公司	Shandong, PRC 28 July 2004	RMB70,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and clinker
Jining Shanshui Cement Co., Ltd. 濟寧山水水泥有限公司	Shandong, PRC 21 January 2005	RMB100,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement, clinker, concrete, limestone and related products
Juye Shanshui Cement Co., Ltd. 巨野山水水泥有限公司	Shandong, PRC 17 May 2006	RMB10,000,000	**99.96**	99. 96	**–**	–	**100.00**	100.00	Production and sales of cement
Yishui Shanshui Cement Co., Ltd. 沂水山水水泥有限公司	Shandong, PRC 28 September 2007	RMB128,700,000	**99.38**	99. 38	**–**	–	**99.38**	99. 38	Production and sales of clinker and limestone
Kenli Shanshui Cement Co., Ltd. 墾利山水水泥有限公司	Shandong, PRC 21 December 2007	RMB12,000,000	**90.00**	90.00	**–**	–	**90.00**	90.00	Production and sales of cement
Qingdao Huading Building Material Co., Ltd. 青島華鼎建材有限公司	Shandong, PRC 24 January 2008	RMB20,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of concrete
Weifang Ningshi Shanshui Cement Co., Ltd. 濰坊凝石山水水泥有限公司	Shandong, PRC 16 May 2008	RMB50,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Yishui Chuangxin Shanshui Cement Co., Ltd. 沂水創新山水水泥有限公司	Shandong, PRC 2 June 2009	RMB30,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and concrete

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Group's effective interest 2023	2022	Held by the Company 2023	2022	Held by subsidiaries 2023	2022	Principal activities
(e) Domestic companies established in the PRC (continued)									
Qingdao Shanshui Jianxin Cement Co., Ltd. 青島山水建新水泥有限公司	Shandong, PRC 18 June 2009	RMB20,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Weifang Binhai Shanshui Cement Co., Ltd. 濰坊濱海山水水泥有限公司	Shandong, PRC 4 August 2009	RMB42,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Tianjin Shanshui Cement Co., Ltd. 天津山水水泥有限公司	Tianjin, PRC 26 August 2009	RMB100,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Shanxian Shanshui Cement Co., Ltd. 單縣山水水泥有限公司	Shandong, PRC 27 August 2009	RMB60,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Caoxian Shanshui Cement Co. , Ltd. 曹縣山水水泥有限公司	Shandong, PRC 28 August 2009	RMB22,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Bozhou Shanshui Cement Co., Ltd. 亳州山水水泥有限公司	Anhui, PRC 3 September 2009	RMB40,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Establishment of cement production line
Bengbu Shanshui Cement Co., Ltd. 蚌埠山水水泥有限公司	Anhui, PRC 4 September 2009	RMB30,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Establishment of cement production line
Weishan Shanshui Cement Co., Ltd. 微山山水水泥有限公司	Shandong, PRC 28 September 2009	RMB100,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and clinker

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Group's effective interest 2023	2022	Held by the Company 2023	2022	Held by subsidiaries 2023	2022	Principal activities
(e) Domestic companies established in the PRC (continued)									
Shanxi Shanshui Cement Co., Ltd. 山西山水水泥有限公司	Shanxi, PRC 25 December 2009	RMB1,716,500,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Sales of cement and cement related products
Laoling Shanshui Cement Co., Ltd. 樂陵山水水泥有限公司	Shandong, PRC 9 February 2010	RMB30,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Qingdao Huading New Building Material Co., Ltd. 青島華鼎建築新材料有限公司	Shandong, PRC 10 February 2010	RMB56,103,200	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of concrete
Dezhou Zhucheng 德州築城商品混凝土有限公司	Shandong, PRC 2 March 2010	Registered capital of RMB30,000,000 and paid-in capital RMB10,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of concrete
Weifang Wanda Building Materials Co., Ltd. 濰坊萬達建材有限公司	Shandong, PRC 17 March 2010	RMB50,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of concrete
Kashi Shanshui Cement Co., Ltd. 喀什山水水泥有限公司	Xinjiang, PRC 17 August 2010	RMB500,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Dezhou Shanshui Concrete Co., Ltd. 德州山水混凝土有限公司	Shandong, PRC 31 August 2010	RMB66,100,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of concrete
Shenxian Shanshui Cement Co., Ltd. 莘縣山水水泥有限公司	Shandong, PRC 22 October 2010	RMB10,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2023	2022	**2023**	2022	**2023**	2022	
(e) Domestic companies established in the PRC (continued)									
Shandong Shanshui Building Materials Co., Ltd. 山東山水建築材料有限公司	Shandong, PRC 2 March 2011	RMB300,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of building materials and related products
Huixian City Shanshui Cement Co., Ltd. 輝縣市山水水泥有限公司	Henan, PRC 30 June 2011	RMB100,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of clinker
Shandong Runshengyuan Shanquan Water Co., Ltd. 山東潤生源山泉水有限公司	Shandong, PRC 24 April 2018	Registered capital of RMB5,000,000 and paid-in capital RMB4,500,000	**90.00**	90.00	**–**	–	**90.00**	90.00	Production and sales of drinking water
Weifang City Leixin Concrete Co., Ltd. 濰坊市磊鑫混凝土有限公司	Shandong, PRC 16 August 2011	RMB25,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of concrete
Zhoukou Shanshui Pipeline Co., Ltd. 周口山水管道有限公司	Henan, PRC 22 August 2011	RMB30,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement-related products
Dongming Shanshui Cement Co., Ltd. 東明山水水泥有限公司	Shandong, PRC 20 March 2012	RMB35,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Jiaxiang Shanshui Aggregate Co., Ltd. 嘉祥山水骨料有限公司	Shandong, PRC 10 October 2012	RMB10,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of aggregate
Shandong Shanshui Cement Group International Trading Co., Ltd. 山東山水水泥集團國際貿易有限責任公司	Shandong, PRC 5 March 2013	RMB10,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Sales, import and export and trade consultation of cement product and equipment

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Group's effective interest 2023	2022	Held by the Company 2023	2022	Held by subsidiaries 2023	2022	Principal activities
(e) Domestic companies established in the PRC (continued)									
Feicheng Shanshui Concrete Co., Ltd. 肥城山水商砼有限公司	Shandong, PRC 5 September 2013	Registered capital of RMB30,000,000 and paid-in capital RMB10,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of concrete
Qingdao Ji'an Concrete Co., Ltd. 青島基安混凝土有限公司	Shandong, PRC 29 January 2010	RMB23,200,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of concrete
Heze Fuyu New Building Materials Co., Ltd. 菏澤福餘新型建材有限公司	Shandong, PRC 12 March 2013	Registered capital of RMB26,000,000 and paid-in capital RMB15,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of concrete
Rushan Shanshui Cement Co., Ltd. 乳山山水水泥有限公司	Shandong, PRC 17 November 2005	RMB50,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Yantai Xinghao Shanshui Cement Co., Ltd. 煙台興昊山水水泥有限公司	Shandong, PRC 10 January 2005	RMB200,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and clinker
Shanshui Heavy Industries 山東山水重工有限公司	Shandong, PRC 12 March 2002	RMB171,000,000	**99.99**	99.99	**–**	–	**99.99**	99.99	Installation and repair of equipment, and production and sales of cement component parts
Huludao Bohai Railway Co., Ltd. 葫蘆島渤海鐵路股份有限公司	Liaoning, PRC 17 July 1993	RMB52,000,000	**62.31**	62.31	**–**	–	**89.02**	89.02	Development and maintenance of special railway-lines, wash and repair of steam locomotive
Shanghe Shanshui Cement Co., Ltd 商河山水水泥有限公司	Shangdong, PRC 14 January 2021	RMB200,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2023	2022	**2023**	2022	**2023**	2022	
(e) Domestic companies established in the PRC (continued)									
Zibo Shanshui Economic and Trading Co., Ltd 淄博山水經貿有限公司	Shangdong, PRC 15 July 2021	Registered capital of RMB10,000,000 and nil paid-in capital	**99.00**	99.00	**–**	–	**100.00**	100.00	Sales of building materials and cement product
Tongliao Shanshui Gongyuan Cement Co., Ltd. 通遼山水工源水泥有限公司	Inner Mongolia, PRC 2 April 2004	RMB25,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Chaoyang Shanshui Dongxin Cement Co., Ltd. 朝陽山水東鑫水泥有限公司	Liaoning, PRC 22 March 2005	RMB200,000,000	**80.00**	80.00	**–**	–	**80.00**	80.00	Production and sales of cement and clinker
Bohai Cement 渤海水泥(葫蘆島)有限公司	Liaoning, PRC 29 August 2005	Registered capital of RMB100,000,000 and paid-in capital RMB74,000,000	**70.00**	70.00	**–**	–	**70.00**	70.00	Production and sales of cement, clinker and related products
Zhalaite Qi Shanshui Cement Co., Ltd. 紮賚特旗山水水泥有限公司	Inner Mongolia, PRC 17 January 2006	Registered capital of RMB120,000,000 and paid-in capital RMB65,000,000	**90.00**	90.00	**–**	–	**90.00**	90.00	Production and sales of cement and clinker
Yingkou Shanshui Cement Co., Ltd. 營口山水水泥有限公司	Liaoning, PRC 5 December 2006	RMB30,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Dalian Shanshui Cement Co., Ltd. 大連山水水泥有限公司	Liaoning, PRC 17 August 2007	RMB180,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement, clinker and related products

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Group's effective interest 2023	Group's effective interest 2022	Held by the Company 2023	Held by the Company 2022	Held by subsidiaries 2023	Held by subsidiaries 2022	Principal activities
(e) Domestic companies established in the PRC (continued)									
Benxi Shanshui Mining Co., Ltd. 本溪山水礦業有限公司	Liaoning, PRC 18 February 2009	RMB500,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Mining and sales of limestone
Kazuo Congyuanhao Cement Co., Ltd. 喀左叢元號水泥有限責任公司	Liaoning, PRC 2 April 2009	RMB110,000,000	**80.00**	80.00	**–**	–	**100.00**	100.00	Production and sales of cement and clinker
Panjin Shanshui Cement Co., Ltd. 盤錦山水水泥有限公司	Liaoning, PRC 1 September 2009	RMB20,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Wulanhaote 烏蘭浩特山水水泥有限公司	Inner Mongolia, PRC 13 November 2009	RMB5,000,000	**90.00**	90.00	**–**	–	**90.00**	90.00	Production and sales of cement
Alu Ke'erqin Qi Shanshui Cement Co., Ltd. 阿魯科爾沁旗山水水泥有限公司	Inner Mongolia, PRC 23 December 2009	RMB76,470,000	**85.00**	85.00	**–**	–	**85.00**	85.00	Production and sales of cement and clinker
Balinyou Qi Shanshui Cement Co., Ltd. 巴林右旗山水水泥有限公司	Inner Mongolia, PRC 19 March 2010	RMB20,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Huolin Guole Shanshui Cement Co., Ltd. 霍林郭勒山水水泥有限公司	Inner Mongolia, PRC 19 April 2010	RMB20,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2023	2022	**2023**	2022	**2023**	2022	
(e) Domestic companies established in the PRC (continued)									
Bohai Cement (Jinzhou) Co., Ltd. 渤海水泥(錦州)有限公司	Liaoning, PRC 5 July 2010	RMB20,000,000	**45.50**	45. 50	**–**	–	**65.00**	65.00	Production and sales of cement
Keyouzhong Qi Shanshui Cement Co., Ltd. 科右中旗山水水泥有限公司	Inner Mongolia, PRC 7 April 2011	RMB30,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Benxi Shanshui Shiye Co., Ltd. 本溪山水實業有限公司	Liaoning, PRC 2 June 2011	Registered capital of RMB20,000,000 and paid-in capital RMB6,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Installation and maintenance of equipment and spare parts of cement machines
Baishan Shanshui Cement Co., Ltd. 白山山水水泥有限責任公司	Jilin, PRC 11 November 2011	RMB100,000,000	**70.00**	70.00	**–**	–	**70.00**	70.00	Production and sales of cement and clinker
Aohan Qi Shanshui Cement Co., Ltd. 敖漢旗山水水泥有限公司	Inner Mongolia, PRC 4 January 2012	RMB16,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2023	2022	**2023**	2022	**2023**	2022	
(e) Domestic companies established in the PRC (continued)									
Dalian Heyuan Investment Management Co., Ltd. 大連合源投資管理有限公司	Liaoning, PRC 8 August 2013	RMB62,230,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Project investment and management
Taiyuan Shanshui Cement Co., Ltd. 太原山水水泥有限公司	Shanxi, PRC 27 October 1999	Registered capital of RMB100,000,000 and paid-in capital RMB61,224,500	**60.00**	60.00	**–**	–	**60.00**	60.00	Production and sales of cement and clinker
Jincheng Shanshui Heju Cement Co., Ltd. 晉城山水合聚水泥有限公司	Shanxi, PRC 25 July 2006	RMB240,000,000	**90.00**	90.00	**–**	–	**90.00**	90.00	Production and sales of cement, clinker and concrete
Lvliang Shanshui Cement Co., Ltd. 呂梁山水水泥有限公司	Shanxi, PRC 16 November 2007	RMB170,000,000	**90.00**	90.00	**–**	–	**90.00**	90.00	Production and sales of cement and clinker
Yulin Shanshui Cement Co., Ltd. 榆林山水水泥有限公司	Shaanxi, PRC 7 August 2008	RMB60,000,000	**62.00**	62.00	**–**	–	**62.00**	62.00	Production and sales of cement

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2023	2022	**2023**	2022	**2023**	2022	
(e) Domestic companies established in the PRC (continued)									
Hequ Zhongtianlong Cement Co., Ltd. 河曲縣中天隆水泥有限公司	Shanxi, PRC 31 August 2009	RMB80,000,000	**68.00**	68.00	**–**	–	**68.00**	68.00	Production and sales of cement and clinker
Wuxiang Shanshui Cement Co., Ltd. 武鄉山水水泥有限公司	Shanxi, PRC 4 November 2009	RMB75,490,000	**55.00**	55.00	**–**	–	**55.00**	55.00	Production and sales of cement and clinker
Jincheng Shanshui Cement Co., Ltd. 晉城山水水泥有限公司	Shanxi, PRC 22 January 2010	RMB150,000,000	**85.00**	85.00	**–**	–	**85.00**	85.00	Production and sales of cement and clinker
Yulin Shanshui Environmental Building Materials Co., Ltd. 榆林山水環保建材有限公司	Shaanxi, PRC 18 February 2011	RMB80,400,000	**85.00**	85.00	**–**	–	**85.00**	85.00	Production and sales of cement
Linfen Shanshui Cement Co., Ltd. 臨汾山水水泥有限公司	Shanxi, PRC 13 May 2011	RMB200,000,000	**90.00**	90.00	**–**	–	**90.00**	90.00	Production and sales of cement and clinker
Shuozhou Shanshui New Era Cement Co., Ltd. 朔州山水新時代水泥有限公司	Shanxi, PRC 10 June 2011	RMB160,000,000	**75.00**	75.00	**–**	–	**75.00**	75.00	Production and sales of cement, clinker and related products
Jingbian Xian Shanshui Cement Co., Ltd. 靖邊縣山水水泥有限公司	Shaanxi, PRC 15 November 2011	RMB30,000,000	**80.00**	80.00	**–**	–	**80.00**	80.00	Production and sales of cement
Shenmu Shanshui Cement Co., Ltd. 神木山水水泥有限公司	Shaanxi, PRC 4 April 1994	RMB60,000,000	**70.00**	70.00	**–**	–	**70.00**	70.00	Production and sales of cement

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Held by the Company		Held by subsidiaries		
			2023	2022	**2023**	2022	**2023**	2022	
(e) Domestic companies established in the PRC (continued)									
Linfen Shanshui Yongzhongsheng Cement Co., Ltd. 臨汾山水永中晟水泥有限公司	Shanxi, PRC 30 August 2012	RMB40,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement
Yangqu Zhongyu Building Materials Co., Ltd. 陽曲縣中宇建材有限公司	Shanxi, PRC 7 November 2012	RMB1,000,000	**60.00**	60.00	**–**	–	**100.00**	100.00	Production and sales of aggregate
Taiyuan Guangsha Cement Co., Ltd. 太原市廣廈水泥有限公司	Shanxi, PRC 29 December 2015	RMB200,000	**60.00**	60.00	**–**	–	**100.00**	100.00	Production and sales of aggregate
Shule Shanshui Cement Co. Ltd. 疏勒山水水泥有限公司	Xinjiang, PRC 24 August 2010	RMB50,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and concrete
Yingjisha Shanshui Cement Co., Ltd. 英吉沙山水水泥有限公司	Xinjiang, PRC 24 August 2010	RMB232,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement, clinker and concrete
Shache Shanshui Cement Co., Ltd. 莎車山水水泥有限公司	Xinjiang, PRC 14 October 2010	RMB50,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and concrete
Kezhou Shanshui Materials Trading Co., Ltd. 克州山水物貿有限公司	Xinjiang, PRC 17 April 2013	RMB20,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Sales of coal and product

39. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Group's effective interest 2023	Group's effective interest 2022	Held by the Company 2023	Held by the Company 2022	Held by subsidiaries 2023	Held by subsidiaries 2022	Principal activities
(e) Domestic companies established in the PRC (continued)									
Xinzhou Shanshui Environmental Protection Technology Materials Co., Ltd. 忻州山水環保科技材料有限公司	Shanxi, PRC 17 June 2021	RMB10,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of clinker
Pingyin Shanshui Building Materials Co., Ltd. 平陰山水建築材料有限公司	Shandong, PRC 21 October 2020	Registered capital of RMB127,679,264 and paid-in capital RMB118,365,329	**98.97**	98.97	**–**	–	**100.00**	100.00	Production and sales of concrete
Huludao Yangjiazhangzi Economic Development Zone Shanshui Building Materials Co., Ltd. 葫蘆島楊家杖子經濟開發區山水建材有限公司	Liaoning, PRC 27 December 2017	Registered capital of RMB1,000,000 and nil paid-in capital	**70.00**	70.00	**–**	–	**100.00**	100.00	Production and sales of limestone
Qingdao Shanshui New Building Materials Co., Ltd. 青島山水新型建築材料有限公司	Qingdao, PRC 23 February 2021	RMB30,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Production and sales of cement and related products
Jinan Zhangqiu Shanshui Green Building Materials Co., Ltd. 濟南章丘山水綠色建築材料有限公司	Shandong, PRC 26 October 2023	Registered capital of RMB30,000,000 and nil paid-in capital	**100.00**	–	**–**	–	**100.00**	–	Establishment of concrete production line

During the year ended 31 December 2022, the Group acquired the non-controlling interest of Dezhou Shanshui Concrete Co., Ltd. at cash consideration of RMB3,000,000.

The directors of the Company are of the opinion that none of its subsidiaries has non-controlling interests which are material to the Group.