SUNNSY

CHINA SHANSHUI CEMENT GROUP LIMITED
中國山水水泥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 691)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

SUMMARY

- Operating revenue for the first half of year 2024 amounted to approximately RMB6,566,739,000, representing a decrease of 25.8% as compared to the corresponding period of last year;

- Loss from operations for the first half of year 2024 amounted to approximately RMB500,932,000, as compared to a loss from operations of RMB42,692,000 for the corresponding period of last year;

- Loss attributable to equity shareholders of the Company for the first half of year 2024 amounted to approximately RMB530,628,000, as compared to a loss attributable to equity shareholders of the Company of RMB236,847,000 for the corresponding period of last year;

- Basic loss per share for the first half of year 2024 was RMB0.12.

The Board of Directors (the "**Board**") of China Shanshui Cement Group Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2024 (the "**Reporting Period**"), together with comparative unaudited financial data for the corresponding period of 2023. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024 have been reviewed by the audit committee of the Board (the "**Audit Committee**") and approved by the Board.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024 – Unaudited

		Six months ended 30 June	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
Revenue	3(a)	**6,566,739**	8,851,107
Cost of sales		**(5,943,363)**	(7,638,321)
Gross profit		**623,376**	1,212,786
Other income	5	**82,755**	95,466
Reversal of impairment losses/(impairment losses) on trade receivables, net		**20,591**	(6,670)
Impairment losses on other receivables, net		**(18,335)**	(10,245)
Selling and marketing expenses		**(133,209)**	(142,057)
Administrative expenses		**(558,034)**	(614,339)
Other net expenses, gains and losses	6	**(9,618)**	(78,356)
Expenses incurred during off-peak suspension		**(508,458)**	(499,277)
Loss from operations		**(500,932)**	(42,692)
Finance costs	7(a)	**(90,486)**	(118,699)
Share of results of associates		**(3,801)**	(1,241)
Loss before taxation		**(595,219)**	(162,632)
Income tax expense	8	**(21,417)**	(145,284)
Loss for the period		**(616,636)**	(307,916)
Attributable to:			
Equity shareholders of the Company		**(530,628)**	(236,847)
Non-controlling interests		**(86,008)**	(71,069)
Loss for the period		**(616,636)**	(307,916)
Loss per share	10		
Basic *(RMB)*		**(0.12)**	(0.05)
Diluted *(RMB)*		**(0.12)**	(0.05)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2024 – Unaudited

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Loss for the period	**(616,636)**	(307,916)
Other comprehensive income for the period		
Item that will not be reclassified to profit or loss:		
Exchange differences arising on translation from functional currency to presentation currency	**4,867**	64,478
Total comprehensive expense for the period	**(611,769)**	(243,438)
Attributable to:		
Equity shareholders of the Company	**(525,761)**	(172,369)
Non-controlling interests	**(86,008)**	(71,069)
Total comprehensive expense for the period	**(611,769)**	(243,438)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – Unaudited

	Notes	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**16,524,378**	16,733,823
Right-of-use assets		**2,236,819**	2,254,779
Intangible assets		**1,982,923**	1,617,845
Goodwill		**55,132**	55,132
Other financial assets		**25,382**	15,180
Interests in associates		**479,245**	485,713
Deferred tax assets		**286,518**	306,215
Other long-term assets		**810,975**	874,685
		22,401,372	22,343,372
CURRENT ASSETS			
Inventories		**2,055,555**	2,143,591
Trade and bills receivables	11	**1,898,692**	1,743,148
Prepayments and other receivables	12	**1,302,526**	1,249,572
Tax recoverable		**83,672**	103,359
Restricted bank deposits	13	**327,852**	423,854
Fixed bank deposits		**513,804**	512,481
Bank balances and cash		**2,423,056**	2,254,037
		8,605,157	8,430,042
CURRENT LIABILITIES			
Bank loans – amount due within one year	14	**3,871,050**	4,332,147
Trade payables	15	**4,136,821**	3,855,229
Other payables and accrued expenses	16	**2,149,302**	2,069,927
Contract liabilities		**491,496**	422,288
Taxation payable		**47,810**	51,266
Lease liabilities		**4,613**	4,723
		10,701,092	10,735,580
NET CURRENT LIABILITIES		**(2,095,935)**	(2,305,538)
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,305,437**	20,037,834

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – Unaudited

	Notes	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
NON-CURRENT LIABILITIES			
Bank loans – amount due after one year	14	**1,650,210**	800,310
Long-term payables		**310,535**	303,799
Defined benefit obligations		**93,200**	93,200
Deferred income		**361,559**	316,007
Lease liabilities		**52,292**	52,911
Deferred tax liabilities		**53,194**	68,243
		2,520,990	1,634,470
NET ASSETS		**17,784,447**	18,403,364
CAPITAL AND RESERVES			
Share capital	17	**295,671**	295,671
Share premium		**8,235,037**	8,235,037
Share capital and share premium		**8,530,708**	8,530,708
Other reserves		**9,272,865**	9,798,626
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**17,803,573**	18,329,334
Non-controlling interests		**(19,126)**	74,030
TOTAL EQUITY		**17,784,447**	18,403,364

1 BASIS OF PREPARATION

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

The condensed 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. Measures that the Group has taken and is taking to manage its liquidity needs and improve its financial position 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;

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

2 PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("**IFRS Accounting Standards**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023.

Application of amendments to IFRS Accounting Standards

In the Reporting Period, the Group has applied the following new and amendments to IFRS Accounting Standards issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

Except as described below, the application of the amendments to IFRS Accounting Standards in the Reporting Period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts of Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"

The Group will apply amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements" which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's consolidated financial statements for the year ending 31 December 2024.

The amendments add a disclosure objective to IAS 7 "Statement of Cash Flows" stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 "Financial Instruments: Disclosures" was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's liabilities, cash flows and the Group's exposure to liquidity risk related to the supplier finance arrangements entered into by the Group in the annual consolidated financial statements for the year ending 31 December 2024.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Sales of cement	**5,358,386**	7,041,690
Sales of clinker	**621,177**	979,924
Sales of concrete	**348,070**	582,447
Sales of other products	**239,106**	247,046
	6,566,739	8,851,107

The Group's revenues for the six months ended 30 June 2024 and 2023 were generated in the People's Republic of China (the "**PRC**"). Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

(b) Segment reporting

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

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

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

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

(i) Segment results, assets and liabilities

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

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

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

- Segment results represents profits earned by each segment without allocation of share of results of associates, gain on fair value changes of financial assets at fair value through profit or loss ("**FVTPL**"), gain on disposal of a subsidiary, unallocated other income, head office and corporate expenses and finance costs in relation to the unallocated bank loans. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

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 periods ended 30 June 2024 and 2023 is set out below.

	2024					2023				
	Shandong Province	**Northeastern China**	**Shanxi Province**	**Xinjiang Region**	**Total**	Shandong Province	Northeastern China	Shanxi Province	Xinjiang Region	Total
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June										
Disaggregated by timing of revenue										
Point in time	**3,935,569**	**1,635,256**	**822,762**	**167,080**	**6,560,667**	5,488,660	2,005,307	1,083,422	268,242	8,845,631
Over time	**2,854**	**1,671**	**1,471**	**76**	**6,072**	2,890	680	1,704	202	5,476
Revenue from external customers	**3,938,423**	**1,636,927**	**824,233**	**167,156**	**6,566,739**	5,491,550	2,005,987	1,085,126	268,444	8,851,107
Inter-segment revenue	**309,899**	**21,923**	**1,532**	**–**	**333,354**	411,768	34,934	8,641	–	455,343
Reportable segment revenue	**4,248,322**	**1,658,850**	**825,765**	**167,156**	**6,900,093**	5,903,318	2,040,921	1,093,767	268,444	9,306,450
Reportable segment (loss)/profit (adjusted (loss)/profit before taxation)	**(239,757)**	**(152,491)**	**(102,599)**	**20,141**	**(474,706)**	410,493	(319,855)	(34,431)	51,057	107,264
As at 30 June/31 December										
Reportable segment assets	**15,042,958**	**7,257,979**	**5,123,482**	**725,618**	**28,150,037**	17,469,893	7,254,520	4,934,976	777,629	30,437,018
Reportable segment liabilities	**6,831,380**	**1,491,582**	**807,613**	**43,514**	**9,174,089**	7,033,520	1,421,061	589,699	73,743	9,118,023

(ii) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
(Loss)/profit		
Reportable segment (loss)/profit	**(474,706)**	107,264
Elimination of inter-segment profit	**(33,022)**	(126,779)
Reportable segment loss derived from the Group's external customers	**(507,728)**	(19,515)
Share of results of associates	**(3,801)**	(1,241)
Gain on fair value changes of financial assets at FVTPL	**9,202**	1,360
Gain on disposal of a subsidiary	**15,882**	–
Unallocated other income	**17,034**	10,610
Unallocated finance costs	**(51,409)**	(54,952)
Unallocated head office and corporate expenses *(Note)*	**(74,399)**	(98,894)
Consolidated loss before taxation	**(595,219)**	(162,632)

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

4 SEASONALITY OF OPERATIONS

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

5 OTHER INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Interest income	**25,569**	10,736
Government grants *(note)*	**40,630**	58,368
Amortisation of deferred income	**6,412**	5,651
Others	**10,144**	20,711
	82,755	95,466

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

6 OTHER NET EXPENSES, GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Net foreign exchange loss	**(6,830)**	(43,580)
Net loss from disposal of property, plant and equipment	**(5,837)**	(3,687)
Impairment loss on property, plant and equipment	**(253)**	(11,809)
Donations	**(2,346)**	(3,835)
Gain on fair value changes of financial assets at FVTPL	**9,202**	1,360
Gain on disposal of a subsidiary	**15,882**	–
Others	**(19,436)**	(16,805)
	(9,618)	(78,356)

7 LOSS BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Interest on bank loans	**76,415**	78,444
Interest on lease liabilities	**1,292**	1,439
Less: capitalised interest expenses(*)	**(8,829)**	–
Net interest expenses	**68,878**	79,883
Unwinding of discount	**7,694**	6,843
Bank charges	**13,914**	31,973
	90,486	118,699

* The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation related to construction of plant was 4.15% for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

(b) Other items

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**561,669**	587,251
Depreciation of right-of-use assets	**42,472**	44,025
Amortisation of intangible assets	**99,802**	113,307
Total depreciation and amortisation	**703,943**	744,583

8 INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Current tax expenses		
Provision for the PRC income tax	**18,352**	118,104
Overprovision in prior years	**(1,583)**	(1,899)
	16,769	116,205
Deferred taxation	**4,648**	29,079
	21,417	145,284

Notes:

(i) The Group's PRC subsidiaries are subject to PRC income tax at the statutory rate of 25% (six months ended 30 June 2023: 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 periods.

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

(iii) The Company and its subsidiaries incorporated in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (six months ended 30 June 2023: 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 periods.

9 DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

10 LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Loss figures are calculated as follows:		
Loss for the period attributable to owners of the Company and loss for the purposes of basic and diluted loss per share	**(530,628)**	(236,847)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**4,353,966,228**	4,353,966,228

The computation of diluted loss per share does not assume the exercise of the share options granted by the Company in 2015 because the exercise price of these share options was higher than the average market price of the shares for the periods ended 30 June 2024 and 2023.

11 TRADE AND BILLS RECEIVABLES

	At 30 June 2024	At 31 December 2023
	RMB'000	*RMB'000*
Bills receivables	**574,473**	367,273
Trade receivables	**1,551,904**	1,638,303
Less: allowance for credit losses	**(227,685)**	(262,428)
	1,898,692	1,743,148

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

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Within 3 months	**769,431**	552,942
3 to 6 months	**224,878**	270,014
6 to 12 months	**294,357**	259,743
Over 12 months	**610,026**	660,449
	1,898,692	1,743,148

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

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

12 PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Deposit	**98,783**	52,429
Prepayments for raw materials	**174,095**	112,815
Prepayments for utilities	**80,762**	87,554
VAT recoverable	**373,573**	404,824
Amount due from related parties	**73,264**	85,399
Amount due from third parties	**378,366**	409,876
Others	**123,683**	96,675
	1,302,526	1,249,572

13 RESTRICTED BANK DEPOSITS

Restricted bank deposits as at 30 June 2024 include RMB320,180,000 (31 December 2023: RMB416,754,000) 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 RMB7,672,000 (31 December 2023: RMB7,100,000) of bank balances which have been frozen by the PRC Court pending the outcome of the legal proceedings initiated by the Group's creditors relating to certain sales or purchase contracts.

14 BANK LOANS

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

	At 30 June 2024	At 31 December 2023
	RMB'000	*RMB'000*
Bank loans – Secured(*)	**530,510**	548,706
Bank loans – Unsecured	**4,990,750**	4,583,751
	5,521,260	5,132,457

* These bank loans were secured by certain land lease prepayments with aggregate carrying amount of RMB132,594,000 (31 December 2023: RMB133,993,000), plants and buildings with an aggregate carrying amount of RMB394,292,000 (31 December 2023: RMB400,852,000) and pledged bank deposits of RMB276,000,000 (31 December 2023: RMB366,397,000).

As at 30 June 2024, there is no default in bank loans repayment.

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

	At 30 June 2024	At 31 December 2023
	RMB'000	*RMB'000*
Within one year	**3,871,050**	4,332,147
After one year but within two years	**351,720**	180,000
After two years but within five years	**1,298,490**	620,310
	5,521,260	5,132,457

15 TRADE PAYABLES

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

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Within 3 months	**2,245,181**	2,198,451
3 to 6 months	**405,095**	544,666
6 to 12 months	**577,076**	428,012
Over 12 months	**909,469**	684,100
	4,136,821	3,855,229

As at 30 June 2024 and 31 December 2023, all trade payables of the Group were expected to be settled within one year.

As at 30 June 2024, certain suppliers and third parties have initiated lawsuits against the Group to demand immediate settlement of trade payables with a carrying amount of RMB17,214,000 (31 December 2023: RMB17,194,000) 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 these condensed consolidated financial statements to accrue for any potential interest or other penalties that may arise through the Courts if the negotiations are not successful, as the directors of the Company consider that the eventual outcome of these litigations cannot presently be determined.

16 OTHER PAYABLES AND ACCRUED EXPENSES

	Note	**At 30 June 2024** ***RMB'000***	At 31 December 2023 *RMB'000*
Accrued payroll and welfare		**150,220**	281,377
Taxes payable other than income tax		**145,878**	86,542
Staff compensation and termination provisions		**52,922**	109,808
Amount due to related parties		**919,400**	915,486
Payables to former shareholders of acquired subsidiaries		**57,360**	57,316
Acquisition consideration payables		**27,437**	27,437
Payable for acquisition of mining right		**171,800**	38,150
Accrued expenses and other payables	(i)	**624,285**	553,811
		2,149,302	2,069,927

Note:

(i) The amount mainly represents payable for acquisition of property, plant and equipment of RMB43,823,000 (31 December 2023: RMB44,112,000), payable for mine management of RMB123,946,000 (31 December 2023: RMB123,946,000), contract guarantee deposits from suppliers of RMB153,840,000 (31 December 2023: RMB132,358,000), payables for equipment maintenance of RMB113,593,000 (31 December 2023: RMB107,168,000) and interest payables of RMB1,176,000 (31 December 2023: RMB5,318,000).

As at 30 June 2024, certain suppliers and third parties have lawsuits against the Group to demand immediate settlement of other payables with carrying amount of RMB7,378,000 (31 December 2023: RMB11,811,000) plus interest for late payment, if any.

17 SHARE CAPITAL

	30 June 2024 and 31 December 2023	
	Number of shares	**RMB equivalent**
		RMB'000
Ordinary shares of the Company of USD0.01 each		
Authorised:		
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	10,000,000,000	701,472
Issued and fully paid:		
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	4,353,966,228	295,671

18 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2024 not provided for in the condensed consolidated financial statements were as follows:

	At 30 June 2024	At 31 December 2023
	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 condensed consolidated financial statements	**719,988**	1,275,929

19 CONTINGENT LIABILITIES AND OTHER EVENTS

(a) Litigation contingencies

As at 30 June 2024, several litigation claims were initiated by the service providers against the Group to demand immediate repayment of the outstanding balance in relation to certain construction contracts and labour disputes from former employees, with an aggregate amount of RMB51,545,000 (31 December 2023: RMB54,781,000), which had not been concluded. No provision for these litigation claims was made in these condensed consolidated financial statements as in the opinion of the directors of the Company, the possibility of an outflow of economic resources is remote.

(b) Litigation in the Cayman Islands

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

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

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

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

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

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

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

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

The Grand Court delivered rulings on 17 October 2023 and 26 October 2023, and a judgment dated 30 October 2023, regarding the scope of discovery in respect of the Cayman Petition. As at 29 July 2024, the parties are in the process of agreeing on certain aspects of the Grand Court's order, before discovery can progress. Further timetable to trial is yet to be set.

(c) Litigation in Hong Kong

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

In the Writ of Summons, Tianrui Group alleges that it extended loans to the Company, CSC HK, Pioneer and Shandong Shanshui (collectively, "**CSC Group**") with the alleged outstanding amount (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 (the "**Hearing Together Summons**"). All parties in HCA 548 of 2019 are neutral to the Hearing Together Summons, except Tianrui Group, Tianrui, Li Liufa and Ho Man Kay, Angela.

Meanwhile, on 28 February 2024, Tianrui Group also made an application to the Court to strike out CSC Group's counterclaim in this action allegedly, inter alia, on the ground that CSC Group's counterclaim in this action and its claim in HCA 548 of 2019 are duplicated (the "**Strike-Out Summons**"). CSC Group considers that the application is baseless, and will contest strenuously. The substantive hearing of the Hearing Together Summons and the Strike-Out Summons is fixed to be heard together on 30 April 2025.

Other than the disclosure above, as at the date of this announcement, as far as the Group was aware, the Group had no other material litigation or claim which was pending or threatened against the Group. As at 30 June 2024, the Group was the defendant of certain non-material litigations, a party to certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business. The likely outcome of these litigations or other legal proceedings cannot be ascertained at present, but the Directors believe that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Environment and Industry Overview

In the first half of 2024, the cement industry showed the operating characteristics of "continuous decrease in demand, low price fluctuations, and sustained losses". The real estate industry is still in the adjustment phase, while the investment growth in infrastructure continues to slow down, dragging down overall cement demand. In the first half of the year, the price competition in mainstream consumption markets such as the Yangtze River Delta and the Pearl River Delta remained fierce, which prompted the bottom operation of cement prices. The low volume and low price led to historic losses in the industry.

Demand side: Continuing the trend of sharp decline in the past two years

From the structure of cement demand, on the one hand, the real estate market has not yet stabilized, and investment continues to show a contraction trend due to weak sales, with a continuous sharp decline in new construction areas. On the other hand, the growth rate of infrastructure investment continues to slow down, key projects in provinces and cities have been suspended or postponed, directly affecting cement demand in the infrastructure sector, and at the same time, due to tight funds, the progress of some infrastructure projects is slow, resulting in an overall lag in cement demand.

According to statistics from the National Bureau of Statistics, in the first half of 2024, the national real estate development investment was RMB15.2529 trillion, with a year-on-year ("**YOY**") decrease of 10.1%. The new construction area of residential houses was 380.23 million square meters, representing a decrease of 23.7%. The YOY decline in national real estate development investment continued to narrow, and the new construction area of residential houses of real estate development companies decreased significantly YOY. Infrastructure investment (excluding electricity, heat, gas, and water production and supply industries) increased by 5.4% YOY, and the growth rate of infrastructure investment slowed down.

In the first half of 2024, the national cement demand continued to decline sharply for nearly two years. According to statistics from the National Bureau of Statistics, in the first half of 2024, the national cement production was 850 million tonnes, a YOY decrease of 10% (comparable caliber) and a decrease of 100 million tonnes from the same period last year. The cement production was the lowest since the same period in 2011, approaching the level of the same period in 2010.

Supply Side: The intensity of off-peak kiln shutdowns increased in the second quarter, and inventory has improved compared to last year

In the first quarter, due to the continuous deterioration of market supply and demand, unstable business mentality, and cement prices reaching the bottom, the entire industry suffered serious losses. In the second quarter, led by leading companies in various places, the industry actively carried out industry self-discipline and strengthened the implementation of staggered production, the national cement inventory fell, and cement prices were able to achieve a counter-trend rebound.

Looking at the inventory index (inventory capacity ratio) monitored by the Digital Cement Network, although the overall inventory in the first half of the year is still high, it has been significantly lower than the levels in the same period in 2023 and 2022 in the second quarter, and the market supply pressure has relatively eased.

Cement prices: Hovering at a low level, rebounding with fluctuations

In the first half of 2024, the national cement market prices were at a low level and showed an overall trend of "hovering at a low level and rebounding with fluctuations". According to data from the Digital Cement Network, in the first half of the year, the average transaction price of cement in the national market was RMB367/tonne, a decrease of RMB54/tonne compared to the same period last year, representing a decrease of 13%. In the first quarter, due to the weak performance of downstream cement market demand and the continuous deterioration of market supply and demand, cement prices reached the bottom, and the entire industry suffered serious losses; in the second quarter, led by leading companies in various places, the industry actively carried out industry self-discipline and strengthened the implementation of staggered production, and the mentality of companies has changed, and cement prices were able to rebound.

For the second half of the year, the industry's profits will likely improve. The main reasons are: on the one hand, the cement demand will marginally improve. In the second half of the year, with the accelerated implementation of ultra-long-term national bonds, special bonds, and central special funds, the cement demand for key projects under construction will be boosted, and together with the post-disaster reconstruction needs in certain regions, the demand for cement will increase both quarter-on-quarter and YOY. On the other hand, the mentality of companies has changed, and the intensity of supply compression will continue to increase. In the first half of the year, the domestic cement market demand continued to be weak, and the market switched from full competition to cooperation. In this process, both large and small companies have changed their business strategies from "market share" to "profit", and the trend is still ongoing. In the first half of the year, the entire industry showed a loss, and most cement companies faced great business pressure. They have a strong demand for price and profit improvement in the second half of the year, and will actively participate in industry self-discipline and staggered production to increase prices and strive to achieve their annual business goals. With the marginal improvement of demand and the continuous increase in supply pressure, cement prices in the second half of the year are expected to continue the rebound trend at the end of the second quarter. Therefore, the industry's profits will also significantly improve. A loss-to-profit turnaround is expected in the third quarter, and it is expected to be flat or slightly higher than last year in the fourth quarter. **(Source: CCA Information Research Center, Digital Cement Network)**

Company's business review

In the first half of 2024, the Group has been continuously committed to refining our fundamental internal management to enhance the quality of existing manufacturing operations and the sustainability of profits.

As at 30 June 2024, the Group had a total production capacity of 97.73 million tonnes of cement, 50.12 million tonnes of clinker and 19.10 million cubic meters of concrete.

During the Reporting Period, the Group's total sales of cement and clinker were 24,631,000 tonnes, representing a YOY decrease of 8.8%; sales volume of concrete was 1,141,000 cubic meters, representing a YOY decrease of 23.8%; sales revenue was RMB6,566,739,000, representing a YOY decrease of 25.8%; and the loss for the period was RMB616,636,000, representing a YOY increase of 100.3%.

REVENUE

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

Region	**January–June 2024** Sales revenue *RMB'000*	**January–June 2024** Proportion	January–June 2023 Sales revenue *RMB'000*	January–June 2023 Proportion	Change of sales revenue
Shandong Region	**3,938,423**	**60.0%**	5,491,550	62.0%	-28.3%
Northeast China Operating Region	**1,636,927**	**24.9%**	2,005,987	22.7%	-18.4%
Shanxi Operating Region	**824,233**	**12.6%**	1,085,126	12.3%	-24.0%
Xinjiang Operating Region	**167,156**	**2.5%**	268,444	3.0%	-37.7%
Total	**6,566,739**	**100.0%**	8,851,107	100.0%	-25.8%

In the Reporting Period, the Group's revenue amounted to RMB6,566,739,000, representing a decrease of RMB2,284,368,000 or 25.8% from that of RMB8,851,107,000 for the corresponding period of 2023. The decrease in revenue was mainly attributable to the YOY decrease in sales volume and cement price.

In respect of revenue contribution for the six months ended 30 June 2024, sales of cement and clinker accounted for 91.1% (2023: 90.6%) and the sales of ready-mix concrete accounted for 5.3% (2023: 6.6%).

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

	January–June 2024		January–June 2023		
Product	**Sales revenue** ***RMB'000***	**Proportion**	Sales revenue *RMB'000*	Proportion	Sales revenue YOY change
Cement	**5,358,386**	**81.6%**	7,041,690	79.5%	-23.9%
Clinker	**621,177**	**9.5%**	979,924	11.1%	-36.6%
Concrete	**348,070**	**5.3%**	582,447	6.6%	-40.2%
Others	**239,106**	**3.6%**	247,046	2.8%	-3.2%
Total	**6,566,739**	**100.0%**	8,851,107	100.0%	-25.8%

COST OF SALES AND GROSS PROFIT

The Group's cost of sales primarily includes cost of raw materials, fuel expenses (consisting of coal and electricity), depreciation and amortization and other overhead costs. During the Reporting Period, the Group's cost of sales was RMB5,943,363,000 (2023: RMB7,638,321,000). The decrease in cost of sales was mainly due to the YOY decrease in the external sales volume of cement and clinker, in addition, there is also decline in procurement cost of raw materials, prices of coal and cost of electricity for the period.

The gross profit for the six months ended 30 June 2024 was RMB623,376,000 (2023: RMB1,212,786,000), representing a gross profit margin of 9.5% on revenue (2023: 13.7%). The decrease in gross profit was mainly due to the YOY decrease in cement sales volume and price; in addition, the decrease in cement sales prices was greater than the decrease in unit production costs, resulting in a decrease in gross profit margin.

FINANCIAL REVIEW

Other income

Other income decreased from RMB95,466,000 to RMB82,755,000, mainly due to the decrease in income from government grants received during the period as compared with the same period of last year.

Other net expenses, gains and losses

Other net expenses, gains and losses decreased from a net loss of RMB78,356,000 to a net loss of RMB9,618,000, mainly due to the decrease in net foreign exchange loss and the impairment loss on property, plant and equipment in the period as compared with the same period of last year, as well as the gain arising from the disposal of a subsidiary in the period.

Selling and marketing expense, administrative expense and finance expense

Selling and marketing expenses decreased from RMB142,057,000 to RMB133,209,000, representing a YOY decrease of 6.2%, which was mainly due to the decrease in sales volume of cement, resulting in a decrease in loading and unloading fees and sales and service fees in the period as compared with the same period of last year.

A YOY decrease of 9.2% from RMB614,339,000 to RMB558,034,000 was recorded in administrative expense, which was mainly due to the decrease in the number of employees, resulting in a decrease in employee emolument in the period as compared with the same period of last year, and the reduction of various expenses.

A YOY decrease of 23.8% from RMB118,699,000 to RMB90,486,000 was recorded in finance expense, which was mainly due to the decline in interest rates on borrowings in the period as compared with same period of last year.

Taxation

Income tax expenses declined from RMB145,284,000 to RMB21,417,000, representing a YOY decrease of 85.3%, which was mainly due to the decrease in taxable income in the period as compared with the same period of last year.

Loss for the period

During the Reporting Period, the Group recorded a net loss of RMB616,636,000 as compared to a net loss of RMB307,916,000 for the same period in 2023, which was mainly due to a YOY decrease in cement sales volume and price, resulting in a significant decrease in gross profit.

FINANCIAL RESOURCES AND LIQUIDITY

As of 30 June 2024, the total of the interest-bearing bank borrowings was RMB5,521,260,000, of which RMB3,871,050,000 will be due within 12 months from the end of the Reporting Period. The directors of the Company have given careful consideration to the future liquidity, operating performance of the Group and its available sources of financing, and believe that the cash flow generated from operating activities and certain appropriate financing activities of the Group will be able to meet the funding needs of operations and repay the outstanding interest-bearing borrowings.

As of 30 June 2024, the total assets increased by approximately 0.8% to approximately RMB31,006,529,000 (31 December 2023: approximately RMB30,773,414,000), while total equity decreased by approximately 3.4% to approximately RMB17,784,447,000 (31 December 2023: approximately RMB18,403,364,000).

As at 30 June 2024, bank balances and cash of the Group was approximately RMB2,423,056,000 (31 December 2023: approximately RMB2,254,037,000).

As at 30 June 2024, net gearing ratio of the Group was approximately 14.8% (31 December 2023: 13.5%), each of which was calculated based on net debt and total equity as of 30 June 2024 and 31 December 2023. The slight increase of gearing ratio was due to the increase in bank borrowings and the decrease in total equity for the period.

Cash flow

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

(Unit: RMB'000)

	January–June 2024	January–June 2023
Net cash flow generated from operating activities	**209,713**	298,039
Net cash flow used in investing activities	**(518,544)**	(450,805)
Net cash flow generated from financing activities	**474,494**	1,190,068
Net change in cash and cash equivalents	**165,663**	1,037,302
Balance of cash and cash equivalents as at 1 January	**2,254,037**	2,124,362
Effect of foreign exchange rates change	**3,356**	21,739
Balance of cash and cash equivalents as at 30 June	**2,423,056**	3,183,403

Net cash generated from operating activities

During the Reporting Period, the Group recorded a net cash generated from operating activities of RMB209,713,000, representing a YOY decrease of RMB88,326,000, mainly due to the decrease in cement sales volume and price in the period, resulting in a decrease in sales revenue.

Net cash used in investing activities

During the Reporting Period, the Group recorded a net cash used in investing activities of RMB518,544,000, representing a YOY increase of RMB67,739,000, mainly due to the increase in capital expenditure for the construction of new cement and clinker production lines and the purchase of equipment in the period as compared with same period of last year.

Net cash generated from financing activities

During the Reporting Period, the Group recorded a net cash generated from financing activities of RMB474,494,000, representing a YOY decrease of RMB715,574,000 mainly due to the decrease in the additional bank borrowings in the period as compared to the same period of last year.

Capital expenditures

During the Reporting Period, the capital expenditures were approximately RMB571,386,000, which were mainly invested in the new construction and technical transformation of intelligent production, mine resource reserves, and cement and clinker production lines.

Outstanding capital commitments under relevant agreements not provided for in the financial statements as at 30 June 2024 were as follows:

(Unit: RMB'000)

	30 June 2024	31 December 2023
Authorised and contracted for		
– plant and equipment and intangible assets	**719,988**	1,275,929
Authorised but not contracted for		
– plant and equipment and intangible assets	**854,040**	918,370
Total	**1,574,028**	2,194,299

Pledge of assets

Details in relation to pledge of assets of the Group as at 30 June 2024 are set out in note 14 to the announcement.

Contingent liabilities

Details in relation to contingent liabilities of the Group as at 30 June 2024 are set out in note 19 to the announcement.

Human resources

As at 30 June 2024, the Group had a total of 15,149 employees. The Group provides retirement insurance, medical insurance and unemployment insurance and makes contributions to the housing provident scheme for its employees in the PRC in accordance with applicable laws and regulations in the PRC. The Group remunerates its employees based on their respective work performance and experience and reviews its employee remuneration policies as and when appropriate.

Material acquisition and disposal of subsidiaries and affiliated companies

On 19 March 2024, the Group entered into an agreement with an independent third party for the disposal of 70% equity interest in a subsidiary, Guangrao Shanshui Cement Company Limited, at a consideration of RMB26,295,000, which transaction had no material impact on the Group's financial operations, and the relevant gain on the disposal is set out in note 6 to this announcement. Except for the foregoing paragraph, the Group had no other material acquisition or disposal during the Reporting Period.

Management of foreign exchange exposure

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

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

OUTLOOK FOR THE SECOND HALF OF THE YEAR

Operational situation analysis

In the first half of the year, the real estate market remained in a phase of deep adjustment, with investment showing a contraction trend. At the same time, influenced by factors such as the slow progress in issuing new special bonds and the control of local debt risks, the commencement rate of infrastructure projects fell below expectations. Some infrastructure projects were halted or postponed, leading to an overall stagnation in cement demand. The contradiction of overcapacity intensified, exacerbating market competition. Facing the complex and challenging market situation, the industry has actively promoted ecological restoration, continued to strengthen off-peak production, and strived to restore prices to a reasonable level. However, the effect of price restoration did not meet the expectations of most regions except for the northeastern region, leading to a significant YOY decline in cement prices. Although the Company has effectively controlled costs, the gross profit margin has gradually improved in the second quarter, and profitability has started to recover, there was still a significant increase in losses compared to the same period last year. Looking ahead to the second half of the year, firstly, with the accelerated issuance of ultra-long government bonds, special bonds, and central special funds, the cement demand for key construction projects under construction will be boosted, along with the overlay of post-disaster reconstruction needs in certain regions, leading to an overall increase in cement demand. Secondly, in the first half of the year, the entire industry experienced losses, with most cement enterprises facing significant operational pressures. The strong demand for price and profit restoration will help reinforce the execution of off-peak production, balance supply and demand reasonably, and create a favorable foundation for the industry's profit recovery in the second half of the year.

Company business outlook for the second half of the year

(I) The Company plans to strictly implement off-peak production. The Company will rigorously adhere to the requirements of supply-side structural reform, actively guide industry self-discipline, take the lead in implementing off-peak production, help optimize and improve market supply and demand relationships, and promote the construction of a healthy industry ecosystem.

(II) The Company plans to fully explore the market. The Company will adhere to a demand-oriented approach, leverage brand advantages, and continuously strengthen differentiated marketing. On the basis of consolidating the core business segments such as key projects and rural markets, the Company will further expand into special markets such as nuclear power cement markets. Additionally, the Company will actively utilize digital technology to empower marketing efforts, make full use of e-commerce platforms, and promote channel sinking and flattening in marketing distribution.

(III) The Company plans to deepen cost reduction and efficiency improvement efforts. Firstly, the Company will continue to strengthen lean production management. Based on the implementation of the new national standard for cement, the Company will conduct relevant data integration and analysis to explore and update the optimal operational thresholds while balancing quality and safety to maximize benefits. Secondly, the Company will continue to drive cost reduction through procurement while ensuring supply security. By fully considering production needs, understanding the operating principles of the raw material market, and scientifically coordinating procurement plans, the Company will standardize and refine the comprehensive benchmarking of comparable materials. The Company will integrate procurement channels for raw materials, leverage the scale advantages of bulk procurement and material transport platforms, and maximize the exploration of cost reduction opportunities in procurement and supply chain optimization.

(IV) The Company plans to strengthen risk prevention and control. Firstly, the Company will tightly grasp closed-loop management of safety production throughout the entire process, conduct comprehensive inspections to rectify safety hazards, and firmly establish a safety baseline. Secondly, the Company will uphold the management philosophy of "quality first" and continuously enhance product quality control throughout the product lifecycle. Thirdly, the Company will strictly implement policy requirements related to energy, environmental protection, carbon emissions, and production capacity, focus on policy risk prevention and control, and enhance sustainable development capabilities. Fourthly, the Company will continue to standardize project fund management, make precise investments, optimize account receivable management, strengthen control over various expenses, ensure the safety and stability of the fund chain, and effectively constrain the entire fund management process.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining good corporate governance standards.

The Company has applied the principles and the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Save as disclosed below, 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.

Chairman and Chief Executive Officer

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

The Company did not appoint any Chief Executive Officer and, during the Reporting Period until 31 May 2024, Mr. LI Huibao, the Chairman, undertook the responsibilities of the Chief Executive Officer. In allowing the two positions to be occupied by the same person, the Company has considered that both positions require in-depth knowledge and considerable experience of the Group's business. Candidates with the requisite knowledge, experience and leadership are difficult to identify. If either of the positions is occupied by an unqualified person, the Group's performance could be gravely compromised. Besides, the Board believes that the balance of power and authority will not be impaired by such arrangement as it is adequately ensured by the Board which comprises experienced and high calibre individuals (including executive Directors and independent non-executive Directors).

Upon the conclusion of the annual general meeting held on 31 May 2024, Mr. LI Huibao has retired as the Chairman and an executive Director of the Company (the "**Resignation**").

Immediately following the Resignation, the Board and the Nomination Committee considered several potential candidates to undertake the role and responsibilities of the Chairman. However, as explained above, in order to ensure the development, stability and sustainability of the Company, the Board considered it essential to conduct an in-depth review of all aspects of interests and balance of power before an appropriate candidate can be selected and appointed as the Chairman. In the absence of a Chairman, the Board has nominated Ms. WU Ling-ling, an executive Director of the Company, to discharge the responsibilities of a Chairman as required under code provisions C.2.2. to C.2.9. of the CG Code. Following the Resignation, Ms. WU Ling-ling has also undertaken the responsibilities of the Chief Executive Officer.

For the reasons as set out above, the Board considered that good corporate governance has been achieved throughout the Reporting Period. On 5 August 2024, the Board is pleased to announce that Mr. Teng Yongjun ("**Mr. Teng**") has been appointed as the Chairman of the Board, who will discharge the responsibilities as required under code provisions C.2.2. to C.2.9. of the CG Code. Mr. Teng will also undertake the responsibilities of the Chief Executive Officer.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions By Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**"). Having made specific inquiries to all Directors, all Directors confirmed that they have complied with the Model Code throughout the Reporting Period.

REVIEW OF INTERIM REPORT AND RESULTS ANNOUNCEMENT BY AUDIT COMMITTEE

The Audit Committee comprises the three independent non-executive Directors who reviewed the unaudited interim results and report of the Group for the six months ended 30 June 2024, and discussed with the Company's management regarding risk management, internal control and other important matters.

RECENT DEVELOPMENTS

No important event affecting the Group has occurred since 30 June 2024.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND REPORT

This interim results announcement is available on the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the website of the Company (http://www.sdsunnsygroup.com). The interim report of the Company for the six months ended 30 June 2024 will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Group's creditors, shareholders, customers and business partners for their great support, and all the Group's employees for their dedication and hard work.

By Order of the Board
China Shanshui Cement Group Limited
TENG Yongjun
Chairman

Hong Kong, 5 August 2024

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