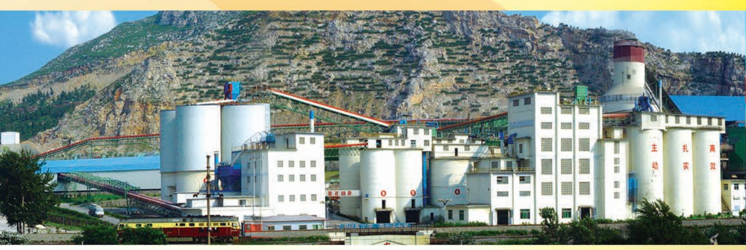
CHINA SHANSHUI CEMENT GROUP LIMITED
中國山水水泥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 691

2013 Interim Report

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Definitions

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

"Company" or "Shanshui Cement"	China Shanshui Cement Group Limited
"Group" or "Shanshui Group"	the Company and its subsidiaries
"Reporting Period"	1 January 2013 to 30 June 2013
"Directors"	Directors of the Company
"Board"	Board of Directors of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules of the Stock Exchange"	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)
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"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 articles of association of the Company
"clinker"	a semi-finished product in the cement production process
"RMB"	Renminbi
"PRC"	The People's Republic of China
"Shandong Region"	Shandong Province and the nearby areas in which the Company's business operate, including Hebei Province, Henan Province, Tianjin etc.
"Northeast Region"	Liaoning Province and the nearby areas in which the Company's business operate, including Eastern part of Inner Mongolia, Jilin Province etc.
"Shanxi Region"	Shanxi Province and the nearby areas in which the Company's business operate, including Shaanxi Province etc.
"Xinjiang Region"	the areas in Kashi, Xinjiang in which the Company's business operate
"National Bureau of Statistics of China"	The National Bureau of Statistics of the People's Republic of China
"MIIT"	Ministry of Industry and Information Technology of the People's Republic of China

(I) Company Profile

1. BOARD OF DIRECTORS

Executive Directors

ZHANG Bin *(Chairman and General Manager)*
ZHANG Caikui
YU Yuchuan

Notes: Mr. DONG Chengtian did not offer himself for appointment of Executive Director of the Company on 24 May 2013.

Non-Executive Directors

Homer SUN
JIAO Shuge (alias JIAO Zhen)
XIAO Yu

Notes: Mr. XIAO Yu has been appointed as Non-Executive Director of the Company since 24 May 2013.

Independent Non-Executive Directors

SUN Jianguo
WANG Yanmou
WANG Jian

Audit Committee

WANG Yanmou *(Chairman)*
SUN Jianguo
WANG Jian

Remuneration Committee

SUN Jianguo *(Chairman)*
WANG Yanmou
WANG Jian

Executive Committee

ZHANG Caikui *(Chairman)*
ZHANG Bin
YU Yuchuan

Nomination Committee

ZHANG Caikui *(Chairman)*
WANG Yanmou
SUN Jianguo

(I) Company Profile

2. COMPANY PROFILE

(1)	Company Name		
	Company Name in Chinese	:	中國山水水泥集團有限公司
	Official English name of the Company	:	CHINA SHANSHUI CEMENT GROUP LIMITED
(2)	Registered Office	:	Offices of Maples Corporate Services Limited PO Box 309, Ugland House Grand Cayman, KY 1-1104 Cayman Islands
(3)	Principal Place of Business		
	Principal Place of Business in China	:	Sunnsy Industrial Park, Gushan Town, Changqing District, Jinan, Shandong, China
	Principal Place of Business in Hong Kong	:	Room 2609, 26/F, Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong
(4)	Contact details of the Company		
	Telephone	:	+86-531-8836 0218 +852-2525 7918
	Fax	:	+86-531-8836 0218 +852-2525 7998
	E-mail address	:	ir@shanshuigroup.com
(5)	Website	:	www.shanshuigroup.com
(6)	Authorised Representatives	:	ZHANG Caikui, ZHANG Bin
(7)	Alternate Authorised Representative	:	LI Cheung Hung
(8)	Joint Company Secretaries	:	ZHANG Bin, LI Cheung Hung – FCPA, FCIS
(9)	Qualified Accountant	:	LI Cheung Hung – FCPA,FCIS
(10)	Principal Bankers	:	China Merchants Bank China Construction Bank Corporation Bank of China
(11)	Listing Date	:	4 July 2008
(12)	Website for publication of this report	:	www.shanshuigroup.com
(13)	Stock Exchange on which the Company's shares are listed	:	The Hong Kong Stock Exchange
(14)	Stock code	:	00691
(15)	Stock Short Name	:	Shanshui Cement
(16)	Hong Kong Share Registrar and Transfer Office	:	Computershare Hong Kong Investor Services Limited
	Address	:	Shops 1712-1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
(17)	Legal Advisers		
	as to PRC laws	:	Commerce & Finance Law Offices
	as to Hong Kong laws	:	Norton Rose Fulbright Hong Kong Cleary Gottlieb Steen & Hamilton LLP
(18)	Auditor	:	KPMG

(II) Key Data

1. KEY FINANCIAL DATA

(Unit: RMB'000)

	January to June 2013	January to June 2012
Revenue	**7,068,664**	7,378,034
Gross profit	**1,601,634**	1,835,871
Gross profit margin	**22.7%**	24.9%
Profit from operations	**1,035,166**	1,453,096
Profit margin from operations	**14.6%**	19.7%
EBITDA	**1,655,942**	2,015,579
EBITDA margin	**23.4%**	27.3%
Net profit	**360,349**	758,380
Profit attributable to equity shareholders of the Company	**347,635**	727,700
Basic earnings per share (RMB)	**0.12**	0.26
Net cash generated from operating activities	**228,345**	1,314,715

	30 June 2013	31 December 2012
Total assets	**30,916,254**	28,033,377
Total liabilities	**21,124,254**	18,636,875
Equity attributable to equity shareholders of the Company	**9,013,954**	8,650,849
Net gearing ratio	**58.2%**	56.9%

2. KEY BUSINESS DATA

	January to June 2013	January to June 2012
Sales volume of cement ('000 tonnes)	**22,975**	21,027
Sales volume of clinker ('000 tonnes)	**4,203**	4,179
Sales volume of concrete ('000 m^3)	**965**	605
Unit selling price of cement (RMB/tonne)	**250.5**	284.3
Unit selling price of clinker (RMB/tonne)	**190.8**	232.7
Unit selling price of concrete (RMB/m^3)	**293.8**	268.8

(III) Changes in Share Capital and Shareholdings of Substantial Shareholders and the Directors

1. CHANGES IN SHARE CAPITAL

As of 30 June 2013, our 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 any additional Shares.

As of 30 June 2013, the Company has issued a total of 2,815,950,200 Shares.

2. SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As of 30 June 2013, 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
China Shanshui Investment Company Limited	847,908,316(L)	Beneficial owner	30.11%
Asia Cement Corporation(2)	253,561,000(L)	Interests of corporations controlled by substantial shareholder	9.00%
Hillhouse Capital Management, Ltd.(3)	252,992,000(L)	Investment manager	8.98%
JPMorgan Chase & Co.(4)	141,662,325(L)	Custodian corporation/ approved lending agent	5.03%
	51,152,560(L)	Investment manager	1.82%
	4,352,484(L)	Beneficial owner	0.15%
Deutsche Bank Atiengesellschaft(5)	159,259,000(L)	Person having a security interest in shares	5.66%
	7,720,147(L)	Beneficial owner	0.27%
	3,370,203(S)	Beneficial owner	0.11%
	1,290,000(L)	Custodian corporation/ approved lending agent	0.04%
	445,000(L)	Investment manager	0.02%
	239,000(S)	Person having a security interest in shares	0.01%
T. Rowe Price Associates Inc. and its affiliates(6)	168,594,000(L)	Beneficial owner	5.99%

Notes:

(1) The letter "L" denotes a long position in such Shares, the letter "S" denotes a short position in such Shares.

(2) As stated in the form of disclosure of shareholder's interests submitted by Asia Cement Corporation on 13 June 2013 (the date of the relevant event set out in the form was 10 June 2013), these Shares were held via Asia Cement Corporation and its affiliates.

(3) As stated in the form of disclosure of shareholder's interests submitted by Hillhouse Capital Management, Ltd on 2 November 2012 (the date of the relevant event set out in the form was 30 October 2012), these Shares were held via Hillhouse Capital Management, Ltd and its affiliates.

(4) As stated in the form of disclosure of shareholder's interests submitted by JPMorgan Chase & Co. on 26 September 2012 (the date of the relevant event set out in the form was 21 September 2012), these Shares were held via JPMorgan Chase & Co. and its affiliates.

(5) As stated in the form of disclosure of shareholder's interests submitted by Deutsche Bank Aktiengesellschaft on 19 September 2012 (the date of the relevant event set out in the form was 13 September 2012), these Shares were held via Deutsche Bank Aktiengesellschaft and its affiliates.

(6) As stated in the form of disclosure of shareholder's interests submitted by T. Rowe Price Associates Inc. and its affiliates on 26 October 2012 (the date of the relevant event set out in the form was 24 October 2012), T. Rowe Price Associates Inc. and its affiliates are the beneficial owners of these Shares.

Save as disclosed above, and so far as the Directors are aware, as of 30 June 2013, 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.

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Reporting Period.

(III) Changes in Share Capital and Shareholdings of Substantial Shareholders and the Directors

4. SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Company on 14 June 2008. The options for subscription of 7,300,000 Shares were granted by the Company on 25 May 2011, and the closing price of the Shares as at the date of grant was HK$7.83 per Share. Details of the options are set out as follows:

Type of Grantee	Date of grant	Granted	Vesting period	Exercise price	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Expired during the Reporting Period	Not yet exercised during the Reporting Period
Zhang Bin, *Executive Director*	25 May 2011	Options for subscription of 5,000,000 Shares	Nil	HK$7.90	Nil	Nil	Nil	Nil	Options for subscription of 5,000,000 Shares
Xiao Yu *Non-Executive Director*	25 May 2011	Options for subscription of 100,000 Shares	Nil	HK$7.90	Nil	Nil	Nil	Nil	Options for subscription of 100,000 Shares
Employees	25 May 2011	Options for subscription of 2,200,000 Shares	Nil	HK$7.90	Nil	Nil	Nil	Nil	Options for subscription of 2,200,000 Shares
	Total number of options granted and accepted	Options for subscription of 7,300,000 Shares			Nil	Nil	Nil	Nil	Options for subscription of 7,300,000 Shares

Summary of the principal terms of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive for the Qualified Participants (as defined below) to work with commitment towards enhancing the value of our Company and the Shares for the benefit of our Shareholders, and to retain and attract calibres and working partners whose contributions are or may be beneficial to the growth and development of our Group.

(III) Changes in Share Capital and Shareholdings of Substantial Shareholders and the Directors

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

The Shares that will be issued upon full exercise of the options currently granted under the Share Option Scheme are 7,300,000 Shares, representing approximately 0.26% of our share capital in issue (2,815,950,200 Shares) as of 30 June 2013.

Unless approved by our 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 validity of the options granted by the Board on 25 May 2011 shall be ten years from 25 May 2011.

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 Hong Kong 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 Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Shares.

(III) Changes in Share Capital and Shareholdings of Substantial Shareholders and the Directors

5. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As of 30 June 2013, the interests of the Directors and Chief Executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) ("Associated Corporations"), which would be required to be notified to the Company and the Stock Exchange, pursuant to 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 Companies ("Model Code") as set out in Appendix 10 of the Listing Rules of the Stock Exchange, were as follows:

Name of Director	The Company/ Name of Associated Corporations	Nature of Interests	Number of Shares Interested[1]	Percentage of shares in issue as of 30 June 2013
Zhang Caikui	The Company	Interest in a controlled corporation	847,908,316 (L)[2]	30.11%
Zhang Bin	The Company	Beneficial owner	5,000,000 (L)[3]	0.18%
Xiao Yu	The Company	Beneficial owner	100,000 (L)[4]	0.004%

Notes:

(1) The Letter "L" donates a long position in such Shares.

(2) The 847,908,316 Shares were held by China Shanshui Investment Company Limited ("Shanshui Investment"). Mr. Zhang Caikui as a discretionary trustee holds, and has the absolute discretion to manage and control, more than 50% of the shares of Shanshui Investment. Therefore, Mr. Zhang Caikui is deemed under the SFO to be interested in all the Shares registered in the name of Shanshui Investment.

(3) The 5,000,000 Shares are the Shares to be issued upon full exercise of the options granted to Mr. Zhang Bin on 25 May 2011. For details, please refer to Section 4 "Share Option Scheme" of this Chapter.

(4) The 100,000 Shares are the Shares to be issued upon full exercise of the options granted to Mr. Xiao Yu on 25 May 2011. For details, please refer to Section 4 "Share Option Scheme" of this Chapter.

Save as disclosed above, as of 30 June 2013, none of the Directors or Chief Executive 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 Division 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 contained in the Listing Rules.

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

1. APPOINTMENT OR RETIREMENT OF DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY DURING THE REPORTING PERIOD

The Board Meeting of the Company, which was held on 18 March 2013, approved the retirement of Mr. ZHANG Caikui as the Chairman of the Company but remained as the Executive Director of the Company.

The Board Meeting of the Company, which was held on 18 March 2013, approved the appointment of Mr. ZHANG Bin as the Chairman of the Company.

Pursuant to Clause 16.18 of the articles of association, Mr. DONG Chengtian, Mr. Homer SUN and Mr. WANG Jian retired as directors by rotation at the 2012 annual general meeting held on 24 May 2013. Mr. Homer SUN and Mr. WANG Jian have been re-elected as directors of the Company while Mr. DONG Chengtian did not offer himself for the re-election as director of the Company thereat. The 2012 annual general meeting approved the appointment of Mr. XIAO Yu as Non-Executive Director of the Company.

2. CODE ON CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, with the exception of combined roles of Chairman and General Manager were assigned to Mr. ZHANG Bin, the Board of the Company was not aware of any information which would indicate that the Company did not comply with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules of the Stock Exchange.

The Board of Directors believes that no separation of the roles of Chairman and General Manager is favourable to the leadership structure and values of shareholders. Mr. ZHANG Bin has participated in the Group's strategic planning and management since he joined the Group in 2006 and therefore he has comprehensive understanding of the Group's structure and operations. He has also been acquainted with the rules of capital market and has nearly 10 years of experience in cement industry. The Board has exercised discretion for such arrangement based on his knowledge and experience of the Group.

3. MODEL CODE

The Company has adopted a set of codes of practice with standards not lower than those prescribed in the Model Code as set out in Appendix 10 to the Listing Rules of the Stock Exchange regarding securities transactions by Directors. Having made specific enquiries with the Directors, the Company understands that they have complied with the required standard regarding securities transactions by the Directors as set out in the Model Code during the Reporting Period.

4. EMPLOYEES AND THEIR REMUNERATION

As of 30 June 2013, the Group had a total of 22,102 employees. The aggregate remuneration of the employees for the Reporting Period was RMB458 million.

(V) Management Discussion and Analysis

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW

Since the beginning of the year, China's economy has been remaining stable as a whole. The key indicators are still within a reasonable range expected for the year, but the economic environment has been getting more sophisticated. Favorable conditions and unfavorable factors coexisted. There were both growth momentum and downward pressure in the economy. In the first half of 2013, China's GDP totalled RMB24.8 trillion, representing a year-on-year growth of 7.6%, while the growth rate was down by 0.2 percentage points from the same period last year. While total investment by real estate development completed RMB3,682.8 billion with an acceleration of 3.7 percentage points from the same period last year, fixed assets investment of the whole country was RMB18,131.8 billion, representing a year-on-year decrease in growth rate of 0.3 percentage points. ***(Source: National Bureau of Statistics of China)***

The growth of market demand for cement industry slowed down amidst an unfavorable macro-economic situation. In particular, sales prices in some areas suffered by overcapacity in the industry dropped significantly, while the profits of cement enterprises fell as compared to that of the same period last year. In the first half of 2013, total cement output throughout the country was 1,096 million tonnes, representing a year-on-year increase of 9.7%; the cement industry in China recorded a profit of 22.36 billion, representing a year-on-year increase of 1%. ***(Source: MIIT)***

The major profit-generating regions of Shanshui Group – Shandong Region and Northeast Region suffered by the slowdown in growth of fixed asset investment as well as the fluctuations of national cement industry, in particular the impact of cement overcapacity of neighboring provinces. As a result, the cement price declined and the profitability dropped substantially.

2. COMPANY'S BUSINESS REVIEW

In the first half of 2013, the Group speeded up the development of its core cement business while getting well-prepared for the in-depth expansion on the industrial product chain, improving, refining fundamental internal management and enhancing the quality of production, operation and keeping sustainable profitability.

During the Reporting Period, the following projects were put into operation or being acquired by the Company:

	Added clinker capacity (Million Tonnes)	**Added cement capacity (Million Tonnes)**
4500t/d clinker production line project with 2 million tonnes cement grinding production line of Jincheng Shanshui Heju Cement Co., Ltd.	1.44	2.0
Cement grinding production line of Shule Shanshui Cement Co., Ltd. with an annual output of 1 million tonnes (Phase II)	–	1.0
Total added capacity	**1.44**	**3.0**

As at 30 June 2013, the Group had a total production capacity of 92.64 million tonnes of cement, 40.39 million tonnes of clinker and 14.60 million cubic meters of concrete.

During the Reporting Period, the Group's total sales of cement and clinker were 27.18 million tonnes, representing a year-on-year increase of 7.8%; sales volume of concrete was 0.97 million cubic meters, representing a year-on-year increase of 59.5%; sales revenue was RMB7,069 million, representing a year-on-year decrease of 4.2%; and the profit for the period was RMB360 million, representing a year-on-year decline of 52.5%.

2. COMPANY'S BUSINESS REVIEW *(continued)*

(I) Business analysis

1. *Sales revenues and their respective year-on-year changes*

(Unit: RMB'000)

Product	January-June 2013 Sales revenue	January-June 2013 Sales proportion	January-June 2012 Sales revenue	January-June 2012 Sales proportion	Sales revenue Year-on-year change
Cement	**5,756,370**	**81.5%**	5,978,280	81.0%	-3.7%
Clinker	**801,901**	**11.3%**	972,384	13.2%	-17.5%
Concrete	**283,500**	**4.0%**	162,609	2.2%	74.3%
Others	**226,893**	**3.2%**	264,761	3.6%	-14.3%
Total	**7,068,664**	**100.0%**	7,378,034	100.0%	-4.2%

During the Reporting Period, the Company's sales revenue decreased by 4.2% to RMB7,069 million. With regard to revenue breakdown by products, cement revenue amounted to RMB5,756 million, representing a year-on-year decline of 3.7%, and clinker revenue amounted to RMB802 million, representing a year-on-year decline of 17.5%. The revenue from concrete amounted to RMB284 million, representing a year-on-year growth of 74.3%.

2. COMPANY'S BUSINESS REVIEW *(continued)*

(I) Business analysis *(continued)*

2. *Sales volume, unit selling prices and their respective year-on-year changes*

(1) Comparison of sales volume and unit selling price for the Group

Product	The reporting period Sales volume	The corresponding period of last year Sales volume	Sales volume change	The reporting period unit selling price	The corresponding period of last year unit selling price	Unit selling price change
	('000 tonnes)	('000 tonnes)		(RMB/tonne)	(RMB/tonne)	
Cement	**22,975**	21,027	9.3%	**250.5**	284.3	-11.9%
Clinker	**4,203**	4,179	0.6%	**190.8**	232.7	-18.0%
	('000 m^3)	('000 m^3)		**(RMB/m^3)**	(RMB/m^3)	
Concrete	**965**	605	59.5%	**293.8**	268.8	9.3%

During the Reporting Period, the sales volume of cement of the Company amounted to 22.98 million tonnes, representing a year-on-year growth of 9.3%, the sales volume of clinker increased to 4.2 million tonnes, representing a year-on-year increase of 0.6%. The unit selling price of cement decreased by 11.9% to RMB 250.5 per tonne, while the unit selling price of clinker decreased by 18.0% to RMB190.8 per tonne. The sales volume of concrete increased to 965 thousand cubic meter, representing a year-on-year growth of 59.5%. The unit selling price of concrete increased by 9.3% to RMB 293.8/m^3.

(2) Comparison of unit selling price of cement between regions

Region	The Reporting Period unit selling price (RMB/tonne)	The corresponding period of last year unit selling price (RMB/tonne)	Change in selling price
Shandong Region	**243.7**	280.1	-13.0%
Northeast Region	**274.0**	301.4	-9.1%
Shanxi Region	**218.6**	234.6	-6.8%
Xinjiang Region	**228.6**	214.8	6.4%

2. COMPANY'S BUSINESS REVIEW *(continued)*

(I) Business analysis *(continued)*

2. *Sales volume, unit selling prices and their respective year-on-year changes (continued)*

(2) Comparison of unit selling price of cement between regions (continued)

During the Reporting Period, the average unit selling price of cement of our operating companies in Shandong Region was RMB243.7 per tonne, representing a year-on-year decrease of 13%, that in Northeast Region was RMB274.0 per tonne, representing a year-on-year decrease of 9.1%, that in Shanxi Region was RMB218.6 per tonne, representing a year-on-year decrease of 6.8%, and that in Xinjiang Region was RMB228.6 per tonne, representing a year-on-year increase of 6.4%.

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

	January-June 2013		January-June 2012		
	Sales Volume ('000 tonnes)	**Sales proportion**	Sales Volume ('000 tonnes)	Sales proportion	**Change in sales volume**
High grade cement	**14,641**	**63.7%**	12,461	59.3%	17.5%
Low grade cement	**8,334**	**36.3%**	8,566	40.7%	-2.7%

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 14.64 million tonnes, representing a year-on-year increase of 17.5%, and sales volume of low grade cement was 8.3 million tonnes, representing a year-on-year decrease of 2.7%.

2. COMPANY'S BUSINESS REVIEW *(continued)*

(I) Business analysis *(continued)*

3. *Analysis of sales revenue by region and their respective year-on-year changes*

(Unit: RMB'000)

Region	January-June 2013 Sales revenue	January-June 2013 Sales proportion	January-June 2012 Sales revenue	January-June 2012 Sales proportion	Sales revenue change
Shandong Region	**4,719,789**	**66.8%**	5,106,488	69.2%	-7.6%
Northeast Region	**1,897,157**	**26.8%**	1,968,893	26.7%	-3.6%
Shanxi Region	**317,967**	**4.5%**	294,744	4.0%	7.9%
Xinjiang Region	**133,751**	**1.9%**	7,909	0.1%	1591.1%
Total	**7,068,664**	**100.0%**	7,378,034	100.0%	-4.2%

Our operating companies in Shandong Region recorded sales revenue of RMB4,720 million, accounting for 66.8% of the Group's total sales revenue in the first half of 2013, representing a year-on-year decrease of 7.6%. Our operating companies in Northeast Region reported sales revenue of RMB1,897 million, accounting for 26.8% of the Group's total sales revenue in the first half of 2013 and representing a year-on-year decrease of 3.6%. The commencement of operations for operating companies in Shanxi and Xinjiang will make more contributions to the Group's sales revenue.

(II) Profit analysis

1. *Key profit and loss items and their respective changes*

(Unit: RMB'000)

	January-June 2013	January-June 2012	Y-O-Y change
Revenue	**7,068,664**	7,378,034	-4.2%
Gross profit	**1,601,634**	1,835,871	-12.8%
EBITDA	**1,655,942**	2,015,579	-17.8%
Profit from operations	**1,035,166**	1,453,096	-28.8%
Profit before taxation	**579,888**	1,035,271	-44.0%
Profit for the period	**360,349**	758,380	-52.5%
Profit attributable to equity shareholders of the Company	**347,635**	727,700	-52.2%

2. COMPANY'S BUSINESS REVIEW *(continued)*

(II) Profit analysis *(continued)*

1. *Key profit and loss items and their respective changes (continued)*

During the Reporting Period, the Group recorded sales revenue of RMB7,069 million, representing a year-on-year decrease of 4.2%; profit from operations was RMB1,035 million, representing a year-on-year decrease of 28.8%; profit for the period was RMB360 million, representing a year-on-year decrease of 52.5%; profit attributable to equity shareholders of the Company was RMB348 million, representing a year-on-year decrease of 52.2%. The decrease in profit was mainly due to the fall of selling prices.

2. *Comparison analysis of the proportion of cost of sales to revenue*

(Unit: RMB'000)

Cost of sales	January-June 2013 Amount	January-June 2013 Proportion to revenue	January-June 2012 Amount	January-June 2012 Proportion to revenue	Change of proportion to revenue
Raw materials	**1,679,210**	**23.8%**	1,660,280	22.5%	1.3P.Pt.
Coal	**1,472,475**	**20.8%**	1,802,002	24.4%	-3.6P.Pt.
Power	**928,470**	**13.1%**	783,440	10.6%	2.5P.Pt.
Depreciation and amortisation	**458,572**	**6.5%**	463,779	6.3%	0.2P.Pt.
Others	**928,303**	**13.1%**	832,662	11.3%	1.8P.Pt.
Total cost of sales	**5,467,030**	**77.3%**	5,542,163	75.1%	2.2P.Pt.

During the Reporting Period, the proportion of the Group's total cost of sales to revenue was 77.3%, representing an increase of 2.2 percentage points compared with same period last year. Of which, the proportion of raw materials costs to revenue was 23.8%, an increase of 1.3 percentage points compared with same period last year. The proportion of coal costs to revenue was 20.8%, a decrease of 3.6 percentage points compared with same period last year. The Group's average unit purchase price of coal in the first half of 2013 decreased by 17.5% to RMB577.2/tonne compared with same period last year. As for cost reduction, output of residual heat power generation was 498 million KWH in the first half of 2013, thus reducing the cost of clinker by RMB133 million.

3. COMPANY'S FINANCIAL REVIEW

(I) Expenses during the period

(Unit: RMB'000)

	January-June 2013		January-June 2012		**Proportion to sales revenue changes**
	Amount	**Proportion to sales revenue**	Amount	Proportion to sales revenue	
Sales and marketing expenses	**177,938**	**2.5%**	127,708	1.7%	0.8P.Pt.
Administrative expenses	**530,440**	**7.5%**	335,487	4.5%	3.0P.Pt.
Finance costs	**468,977**	**6.6%**	435,867	5.9%	0.7P.Pt.
Total	**1,177,355**	**16.6%**	899,062	12.1%	4.5P.Pt.

During the Reporting Period, the proportion of sales and marketing expenses to sales revenue increased by 0.8 percentage points compared with the corresponding period of 2012. The proportion of administrative expenses to sales revenue increased by 3.0 percentage points as compared with same period last year. In addition, the proportion of the Group's finance costs to sales revenue increased by 0.7 percentage points compared with the corresponding period of 2012.

(II) Changes in balance sheet items

(Unit: RMB'000)

	As at 30 June 2013	As at 31 December 2012	**Change**
Non-current assets	**22,806,095**	21,725,658	5.0%
Current assets	**8,110,159**	6,307,719	28.6%
Total assets	**30,916,254**	28,033,377	10.3%
Current liabilities	**9,680,660**	7,521,116	28.7%
Non-current liabilities	**11,443,594**	11,115,759	2.9%
Total liabilities	**21,124,254**	18,636,875	13.3%
Minority interest	**778,046**	745,653	4.3%
Equity attributable to equity shareholders of the Company	**9,013,954**	8,650,849	4.2%
Total liabilities and equity	**30,916,254**	28,033,377	10.3%

3. COMPANY'S FINANCIAL REVIEW *(continued)*

(II) Changes in balance sheet items *(continued)*

As of 30 June 2013, the Group's total assets were RMB30,916 million, total liabilities were RMB21,124 million and its net assets were RMB9,792 million. The net gearing ratio (net debts/(net debts + total equity)) was 58.2%, representing an increase of 1.3 percentage points compared with the end of the previous year. The Group's total current assets were RMB8,110 million, its total current liabilities were RMB9,681 million, and its net current liabilities were RMB1,571 million. The Group's estimated 2013 fund from operations, the banking facilities granted and net proceeds derived from issuance of Medium-term Notes and Short-term financing bills are sufficient to satisfy the capital requirements for on-going needs of the sustained operations.

(III) Long-term and short-term bank loans and other loans

(Unit: RMB'000)

Term of borrowings	**As at 30 June 2013**	As at 31 December 2012
Short-term borrowings (including long-term borrowings with maturity within one year)	**4,380,449**	2,988,039
Long-term borrowings	**10,801,202**	10,478,312
Total	**15,181,651**	13,466,351

The Company's borrowings increased as a result of the capital needs for the expansion of its business. As of 30 June 2013, the Company's total borrowings were RMB15,182 million, an increase of RMB1,715 million as compared with the end of 2012. Of which, long-term borrowings with maturity more than 1 year amounted to RMB10,801 million and accounted for 71.1% of the Group's total borrowings.

3. COMPANY'S FINANCIAL REVIEW *(continued)*

(IV) Capital expenditures

During the Reporting Period, the capital expenditures of the Group were approximately RMB1,560 million, which were mainly used as the investments in the construction of and acquisition of cement and clinker production lines.

Capital commitments outstanding at 30 June 2013 having entered into production facility construction contracts, equipment purchase agreements and equity investment agreements but not provided for in the financial statements were as follows:

(Unit: RMB'000)

	As at 30 June 2013	As at 31 December 2012
Authorised and contracted for	**2,181,784**	2,187,260
Authorised but not contracted for	**1,682,484**	2,626,734
Total	**3,864,268**	4,813,994

As of 30 June 2013, the capital commitment authorised and contracted by the Group amounted to RMB2,182 million, representing an decrease of RMB5 million as compared with the beginning of the year. Furthermore, the capital commitment authorised but not contracted amounted to RMB1,682 million, representing an decrease of RMB944 million as compared with the beginning of the year.

3. COMPANY'S FINANCIAL REVIEW *(continued)*

(V) Net cash flow analysis

(Unit: RMB'000)

	January-June 2013	January-June 2012
Net cash generated from operating activities	**228,345**	1,314,715
Net cash used in investing activities	**(1,532,876)**	(2,635,739)
Net cash generated from financing activities	**1,765,263**	2,339,016
Net change in cash and cash equivalents	**460,732**	1,017,992
Balance of cash and cash equivalents as at 1 January	**1,083,220**	3,008,332
Effect of foreign exchange rates change	**5,881**	4,143
Balance of cash and cash equivalents as at 30 June	**1,549,833**	4,030,467

During the Reporting Period, the Group's net cash generated from operating activities amounted to RMB228 million, representing a decrease of RMB1,086 million over the corresponding period of the previous year. Meanwhile, as the Group continued to undertake a number of construction projects, net cash used in investing activities amounted to RMB1,533 million, representing a decrease of RMB1,103 million in negative net cash flow compared with the same period of the previous year. Net cash generated from financing activities decreased by RMB574 million to RMB1,765 million over the corresponding period of the previous year.

4. OUTLOOK FOR THE SECOND HALF OF THE YEAR

Although the Chinese government has put forward the steady promotion of urbanization, the acceleration of transformation of shantytowns and the construction of affordable houses, as well as the well-planned promotion of the infrastructure construction in transportation system (such as railways, highways), the urbanization of the PRC is a long-term planning and it is difficult to translate it into substantial demand for cement in a short time. Meanwhile, it should be noted that the Chinese government has paid more attention to the quality of economic growth and slowed down the pace of economic growth on purpose, The growth of fixed asset investment closely related to the cement industry also slowed down accordingly.

Currently, overcapacity in cement and other industry has aroused great attention of the Chinese government. However, influence by the shift of the economic development cycle, taking time in elimination of obsolete production capacity and the blind investment of some enterprises, it is impossible to get resolved shortly. The consequent price competition is still inevitable. The price fluctuation is bound to affect the profitability of enterprises in the cement industry.

We expected that the favorable and unfavorable factors intertwined in the cement industry is difficult to resolve in the short term, The companies will continue to face certain operating pressure in the second half of the year and next few years,

Given the foregoing background, the Company will focus on the following tasks:

1. **Highlight the "leading" role in sales.** Based on market segmentation, the Company will take flexible and effective marketing strategies and revolve around expanding sales and increasing profitability to consolidate core markets, explore new markets and enhance its market dominance as well as increase the sales proportion of high grade cement. Meanwhile, while fully leveraging on the port advantages, the Company will expand exports and to build itself up as an international brand.

4. OUTLOOK FOR THE SECOND HALF OF THE YEAR *(continued)*

2. **Reinforce its efforts in internal control and the management of the Company.** On top of the implemented centralized procurement of coal, the Company will also expand the scope of centralized procurement of general materials to minimize procurement costs. The Company will highlight the operation cost appraisal to further reduce the production costs, such as coal consumption, electricity consumption, maintenance fees to enhance market competitiveness. While standardizing all kinds of process system, the Group will gradually migrate the production, sales, purchasing, finance, personnel and other information into an integrated information management system to improve management efficiency and safeguard against operational risks.

3. **Improve the industrial strategic layout.** According to the national policies on development of cement, the Company will continue to carry out strategic research in certain provinces and regions,which include Shandong, Liaoning, Shanxi and Xinjiang with the focus on consolidation and reorganization. The Company will make the market presence more prominent in particular area, and will strengthen the regional control advantage. In addition, being established firstly in the Shandong Province, the Company will accelerate the development of industrial product chain including aggregate and concrete to foster new profit growth points.

4. **Widen and deepen the talent pool.** Manpower is pivotal in determining the quality and future of business development. The company will concentrate on building systemic mechanisms of talent recruitment, training, selection, assessment. It will put more emphasis on ethics education and skills training of staff and pay more attention to the training and breeding of knowledgeable, hardworking young talents, so as to build up a team adapting to the future needs of development of the Company and enhancing the human capital power of Shanshui Group.

Last but not least, Shanshui Group will deal with all kinds of difficult situations with perseverance. For the continued trust and support by our investors, we strive for the best returns for them by taking a series of effective measures.

1. CORPORATE GOVERNANCE

The Group has established a sound corporate governance structure. During the Reporting Period, the specialised committees under the Board of Directors have performed their respective duties according to their scopes of work and working procedures.

Based on the guidance from the Stock Exchange relating to the internal control of listed companies, the Company will continue to focus on implementation of workflow systems covering production management, equipment management, quality control, financial management, material procurement, sales management, project management and human resource management. In addition, the Company will also give full play to the Group's audit function, continue to enhance its internal audit and surveillance, and ensure efficient execution of the system through regular and irregular special audit, so as to improve the Company's operation standard.

Pursuant to the Listing Rules of the Stock Exchange and based on the principles of "impartiality, equity, publicity and fairness", the Company has further regulated the transactions among its subsidiaries, strengthened the supervision over internal price of clinkers and eliminated the conduct of improper connected transactions.

The Company continues to strengthen its investor relations management by gradually improving its investor communication mechanism. Disclosure of information to investors is made in a timely, complete, accurate and impartial manner. Insider trading, unauthorised disclosure of information and acts causing damages to the interest of other investors are strictly prohibited.

Based on the requirements of the Listing Rules of the Stock Exchange, the Company continues to enhance the information disclosure policy and procedures and raise the awareness of the directors, senior management and related departments to operate in accordance with the Listing Rules of the Stock Exchange.

2. INTERIM DIVIDEND

The Board does not recommend the payment of any dividend for the first half of 2013.

3. CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Company has no continuing connected transaction.

4. AUDIT COMMITTEE

The audit committee comprises the three independent non-executive Directors of the Company who, together with the management, considered and approved the Group's unaudited interim (half-year) financial statements for 2013 prepared in accordance with IFRS, and reviewed the unaudited interim results of the Group for the six months ended 30 June 2013.

(VII) Interim Financial Statements (Unaudited)
Consolidated statement of profit or loss

For the six months ended 30 June 2013 – Unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2013	2012
	Note	**RMB'000**	RMB'000
Revenue	3&4	**7,068,664**	7,378,034
Cost of sales		**(5,467,030)**	(5,542,163)
Gross profit		**1,601,634**	1,835,871
Other revenue	5	**149,873**	98,000
Other net expenses	5	**(7,963)**	(17,580)
Selling and marketing expenses		**(177,938)**	(127,708)
Administrative expenses		**(530,440)**	(335,487)
Profit from operations		**1,035,166**	1,453,096
Finance costs	6	**(468,977)**	(435,867)
Share of profits less losses of an associate		**13,699**	18,042
Profit before taxation		**579,888**	1,035,271
Income tax	7	**(219,539)**	(276,891)
Profit for the period		**360,349**	758,380
Attributable to:			
Equity shareholders of the Company		**347,635**	727,700
Non-controlling interests		**12,714**	30,680
Profit for the period		**360,349**	758,380
Earnings per share	9		
Basic		**0.12**	0.26
Diluted		**0.12**	0.26

The notes on pages 32 to 56 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 20.

(VII) Interim Financial Statements (Unaudited)

Consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 June 2013 – Unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2013	2012
	Note	**RMB'000**	RMB'000
Profit for the period		**360,349**	758,380
Other comprehensive income for the period (after tax and reclassification adjustments):			
Item that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit obligations		**(23,680)**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of:			
financial statements of overseas subsidiaries		**47,833**	5,025
Available-for-sales securities:			
net movement in fair value reserve	8	**(837)**	450
Other comprehensive income for the period		**23,316**	5,475
Total comprehensive income for the period		**383,665**	763,855
Attributable to:			
Equity shareholders of the Company		**370,951**	733,175
Non-controlling interests		**12,714**	30,680
Total comprehensive income for the period		**383,665**	763,855

The notes on pages 32 to 56 form part of this interim financial report.

(VII) Interim Financial Statements (Unaudited)
Consolidated statement of financial position

At 30 June 2013 – Unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2013 RMB'000**	At 31 December 2012 RMB'000
Non-current assets			
Fixed assets	10		
– Property, plant and equipment		**17,051,432**	16,011,443
– Interests in leasehold land held for own use under operating leases		**2,446,028**	2,359,490
		19,497,460	18,370,933
Intangible assets		**443,466**	472,680
Goodwill		**1,844,513**	1,832,746
Other financial assets		**664,116**	670,825
Investment in an associate		**67,808**	96,971
Other long-term assets		**123,718**	114,029
Deferred tax assets		**165,014**	167,474
		22,806,095	21,725,658
Current assets			
Inventories	11	**1,819,788**	1,794,287
Trade and bills receivable	12	**2,608,533**	1,688,090
Other receivables and prepayments	13	**2,045,153**	1,701,068
Pledged bank deposits	14	**86,852**	41,054
Cash and cash equivalents	14	**1,549,833**	1,083,220
		8,110,159	6,307,719
Current liabilities			
Short-term and current portion of interest-bearing borrowings	15(a)	**2,381,435**	1,887,309
Current portion of loans from equity shareholders	15(b)	**99,014**	100,730
Current portion of long-term bonds	18	**1,900,000**	1,000,000
Trade and bills payable	16	**2,821,580**	2,591,924
Other payables and accrued expenses	17	**2,327,253**	1,703,342
Current taxation		**137,759**	220,313
Obligation under finance leases		**13,619**	17,498
		9,680,660	7,521,116
Net current liabilities		**(1,570,501)**	(1,213,397)
Total assets less current liabilities		**21,235,594**	20,512,261

The notes on pages 32 to 56 form part of this interim financial report.

(VII) Interim Financial Statements (Unaudited)
Consolidated statement of financial position

At 30 June 2013 – Unaudited
(Expressed in Renminbi)

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Non-current liabilities			
Interest-bearing borrowings, less current portion	15(a)	**2,481,008**	2,920,982
Loans from equity shareholders, less current portion	15(b)	**77,234**	128,930
Long-term bonds	18	**8,242,960**	7,428,400
Obligation under finance leases		**23,853**	29,440
Defined benefit obligations		**183,011**	160,046
Deferred income	19	**315,708**	324,142
Long-term payables		**63,041**	64,213
Deferred tax liabilities		**56,779**	59,606
		11,443,594	11,115,759
NET ASSETS		**9,792,000**	9,396,502
CAPITAL AND RESERVES			
Share capital		**193,198**	193,198
Reserves		**8,820,756**	8,457,651
Total equity attributable to equity shareholders of the Company		**9,013,954**	8,650,849
Non-controlling interests		**778,046**	745,653
TOTAL EQUITY		**9,792,000**	9,396,502

The notes on pages 32 to 56 form part of this interim financial report.

(VII) Interim Financial Statements (Unaudited)
Consolidated statement of changes in equity

For the six months ended 30 June 2013 – Unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Exchange reserves RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2012	193,198	3,451,085	761,511	243,448	(14,832)	3,169	3,071,458	7,709,037	457,636	8,166,673
Changes in equity for the six months ended 30 June 2012:										
Increase in non-controlling interests attributable to acquisition of subsidiaries	–	–	–	–	–	–	–	–	197,693	197,693
Acquisition of non-controlling interests	–	–	–	(42,300)	–	–	–	(42,300)	(2,700)	(45,000)
Total comprehensive income for the period	–	–	–	–	5,025	450	727,700	733,175	30,680	763,855
Balance at 30 June 2012 and 1 July 2012	193,198	3,451,085	761,511	201,148	(9,807)	3,619	3,799,158	8,399,912	683,309	9,083,221
Changes in equity for the six months ended 31 December 2012:										
Increase in non-controlling interests attributable to acquisition of subsidiaries	–	–	–	–	–	–	–	–	26,946	26,946
Acquisition of non-controlling interests	–	–	–	(2,022)	–	–	–	(2,022)	(2,269)	(4,291)
Dividends approved in respect of the previous years	–	–	–	–	–	–	(556,423)	(556,423)	–	(556,423)
Distribution to non-controlling interests	–	–	–	–	–	–	–	–	(16,887)	(16,887)
Transfer between reserves	–	–	200,884	–	–	–	(200,884)	–	–	–
Total comprehensive income for the period	–	–	–	–	18,168	385	790,829	809,382	54,554	863,936
Balance at 31 December 2012	**193,198**	**3,451,085**	**962,395**	**199,126**	**8,361**	**4,004**	**3,832,680**	**8,650,849**	**745,653**	**9,396,502**
Balance at 1 January 2013	**193,198**	**3,451,085**	**962,395**	**199,126**	**8,361**	**4,004**	**3,832,680**	**8,650,849**	**745,653**	**9,396,502**
Changes in equity for the six months ended 30 June 2013:										
Increase in non-controlling interests attributable to acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**38,124**	**38,124**
Acquisition of non-controlling interests	**–**	**–**	**–**	**(7,846)**	**–**	**–**	**–**	**(7,846)**	**(14,781)**	**(22,627)**
Distribution to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,664)**	**(3,664)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**47,833**	**(837)**	**323,955**	**370,951**	**12,714**	**383,665**
Balance at 30 June 2013	**193,198**	**3,451,085**	**962,395**	**191,280**	**56,194**	**3,167**	**4,156,635**	**9,013,954**	**778,046**	**9,792,000**

The notes on pages 32 to 56 form part of this interim financial report.

(VII) Interim Financial Statements (Unaudited)
Condensed consolidated cash flow statement

For the six months ended 30 June 2013 – Unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2013	2012
		RMB'000	RMB'000
Cash generated from operations		**530,526**	1,800,295
Tax paid		**(302,181)**	(485,580)
Net cash generated from operating activities		**228,345**	1,314,715
Net cash used in investing activities		**(1,532,876)**	(2,635,739)
Net cash generated from financing activities		**1,765,263**	2,339,016
Net increase in cash and cash equivalents		**460,732**	1,017,992
Cash and cash equivalents at 1 January	14	**1,083,220**	3,008,332
Effect of foreign exchange rates changes		**5,881**	4,143
Cash and cash equivalents at 30 June	14	**1,549,833**	4,030,467

The notes on pages 32 to 56 form part of this interim financial report.

(VII) Interim Financial Statements (Unaudited)
Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard 34 "Interim financial reporting" ("IAS 34"), issued by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 23 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted by China Shanshui Cement Group Limited (the "Company") and its subsidiaries (collectively, the "Group") in the preparation of the consolidated financial statements for the year ended 31 December 2012, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

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

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 18 March 2013.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- Revised IAS 19, *Employee benefits*
- *Annual improvements to IFRSs 2009-2011 Cycle*
- Amendments to IFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting of IFRS 12.

IFRS 13, fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 22. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Revised IAS 19, Employee benefits

Revised IAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised IAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised IAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of revised IAS 19, the Group has changed its accounting policy with respect to defined benefit plans, for which the corridor method was previously applied. However, as the impact of the retrospective application of the change in accounting policy is only RMB18,680,000, the Directors of the Company consider this impact is immaterial and are of the view that it is not meaningful to perform the retrospective application for the revised IAS 19. Accordingly, the Company uses the prospective application method and records the impact of RMB18,680,000 in the other comprehensive income for the six months ended 30 June 2013.

Annual improvements to IFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker ("CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendments also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group discloses segment assets and segment liabilities in note 3.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Amendments to IFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7.

3 SEGMENT REPORTING

As the Group operates in a single business, the manufacturing and trading of cement and clinker 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. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following four reportable segments. Each reportable segment has aggregated those operating segments which located in the geographical areas.

- Shandong Province – subsidiaries operated and located in the Shandong Province of the PRC.
- Northeastern China – subsidiaries operated and located in the Liaoning Province and Inner – Mongolia Autonomous Region of the PRC.
- Shanxi Province – subsidiaries operated and located in the Shanxi Province and Shaanxi Province of the PRC.
- Xinjiang Region – subsidiaries operated and located in the Kashi area of Xinjiang Uygur Autonomous Region of the PRC.

3 SEGMENT REPORTING *(Continued)*

(a) Segment results

Segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets, investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade and bills payable and other payables and accrued expenses and bank borrowings managed directly by the segments.

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.

The measure used for reporting segment profit is "adjusted profit before taxation". To arrive at adjusted profit before taxation the Group's profits are further adjusted for items not specifically attributed to an individual reportable segment, such as share of profits less losses of an associate, directors' remuneration, auditors' remuneration, finance costs in relation to the unallocated bank borrowings and other head office or corporate administration expenses.

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

3 SEGMENT REPORTING *(Continued)*

(a) Segment results *(Continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	2013					2012				
	Shandong Province RMB'000	Northeastern China RMB'000	Shanxi Province RMB'000	Xinjiang Region RMB'000	Total RMB'000	Shandong Province RMB'000	Northeastern China RMB'000	Shanxi Province RMB'000	Xinjiang Region RMB'000	Total RMB'000
For the six months ended										
Revenue from external customers	4,719,789	1,897,157	317,967	133,751	7,068,664	5,106,488	1,968,893	294,744	7,909	7,378,034
Inter-segment revenue	52,649	–	–	–	52,649	48,426	–	–	–	48,426
Reportable segment revenue	4,772,438	1,897,157	317,967	133,751	7,121,313	5,154,914	1,968,893	294,744	7,909	7,426,460
Reportable segment profit (adjusted profit before taxation)	840,976	109,763	40,253	3,161	994,153	1,200,690	236,235	29,940	1,566	1,468,431
Impairment of plant and machinery	3,142	–	–	–	3,142	–	–	–	–	–
As at 30 June/31 December										
Reportable segment assets	12,864,482	9,915,837	4,469,858	1,250,411	28,500,588	11,320,993	9,211,807	4,123,352	1,122,750	25,778,902
Reportable segment liabilities	3,407,505	2,029,669	615,215	422,115	6,474,504	3,116,220	2,099,877	554,028	437,695	6,207,820

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

3 SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment profit or loss.

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Profit		
Reportable segment profit	**994,153**	1,468,431
Elimination of inter-segment profits	**(4,825)**	(4,903)
Reportable segment profit derived from group's external customers	**989,328**	1,463,528
Share of profits less losses of an associate	**13,699**	18,042
Unallocated finance costs	**(374,640)**	(393,631)
Unallocated head office and corporate expenses	**(48,499)**	(52,668)
Consolidated profit before taxation	**579,888**	1,035,271

4 SEASONALITY OF OPERATIONS

The Group generally experiences higher cement demands in the second half of the year compared to first half of the year due to construction season starts at 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 REVENUE AND OTHER NET EXPENSES

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Other revenue		
Interest income on bank deposits	**15,248**	12,272
Interest income on loans due from a third party	**9,972**	5,585
Interest income on loans to an associate	**1,706**	2,558
Government grants	**80,072**	69,393
Amortisation of deferred income	**8,434**	8,192
Net foreign exchange gain	**34,441**	–
	149,873	98,000
Other net expenses		
Net foreign exchange losses	**–**	(17,499)
Net losses from disposal of fixed assets	**(2,224)**	(108)
Penalty (expenses)/income	**(109)**	440
Impairment losses on fixed assets	**(3,142)**	–
Others	**(2,488)**	(413)
	(7,963)	(17,580)

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

		Six months ended 30 June	
		2013	2012
	Note	**RMB'000**	RMB'000
Interest on interest-bearing borrowings and corporate bonds		**522,084**	459,601
Less: capitalised interest expenses	(i)	**(83,566)**	(44,707)
Net interest expenses		**438,518**	414,894
Unwinding of discount	(ii)	**5,087**	3,531
Bank charges		**23,706**	15,595
Finance charges on obligations under finance lease		**1,666**	1,847
		468,977	435,867

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(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION *(Continued)*

(a) Finance costs *(Continued)*

Notes:

(i) The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation related to construction of plant are 5.60% and 6.12% for the six months ended 30 June 2013 and 2012 respectively.

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Defined benefit plans	**3,250**	2,783
Acquisition consideration payable	**1,837**	748
	5,087	3,531

(b) Other items

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Depreciation	**523,131**	474,893
Amortisation		
– land lease premium	**28,847**	24,414
– intangible assets	**34,777**	30,248
– other long-term assets	**20,322**	14,886

7 INCOME TAX

(a) Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current tax expenses		
Provision for the PRC income tax	**219,627**	310,064
Deferred taxation		
Origination and reversal of temporary differences	**(88)**	(33,173)
	219,539	276,891

(i) 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.

(ii) No provision for Hong Kong Profits Tax has been made as the subsidiaries incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax during the six months periods ended 30 June 2013 and 2012.

(iii) Pursuant to the currently applicable income tax rules, the PRC regulations and local income tax concessions granted, the companies comprising the Group in the PRC are liable to the PRC Corporate Income Tax at a rate of 25% during the six months ended 30 June 2013.

8 OTHER COMPREHENSIVE INCOME

(a) Available-for-sale securities

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Changes in fair value recognised during the period	**(837)**	450
Net movement in the fair value reserve during the period recognised in other comprehensive income	**(837)**	450

(Expressed in Renminbi unless otherwise indicated)

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on the profit attributable to ordinary equity shareholders of the Company for the period of RMB347,635,000 (corresponding period in 2012: RMB727,700,000) and the weighted average number of ordinary shares of 2,815,950,200 (corresponding period in 2012: 2,815,950,200) in issue during the period.

(b) Diluted earnings per share

On 25 May 2011, the Company had granted 7,300,000 ordinary share options to certain directors and employees, which was vested immediately after granted. These options were not included in the calculation of diluted earning per share because they are antidilutive for the six months ended 30 June 2013 and 2012. Accordingly, diluted earnings per share are the same as the basic earnings per share.

10 FIXED ASSETS

During the six months ended 30 June 2013, the addition of fixed assets of the Group amounted to RMB1,658,981,000 (corresponding period in 2012: RMB2,802,095,000). Fixed assets valued at RMB28,135,000 were acquired through business combination (see Note 21). Items of fixed assets with net book value totaling RMB5,469,000 were disposed of during the six months ended 30 June 2013 (corresponding period in 2012: RMB2,937,000), resulting in a loss on disposal of RMB2,224,000 (corresponding period in 2012: loss on disposal of RMB108,000).

11 INVENTORIES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Raw materials	**655,004**	598,265
Semi-finished goods	**466,267**	515,907
Finished goods	**305,843**	301,538
Spare parts	**392,674**	378,577
	1,819,788	1,794,287

12 TRADE AND BILLS RECEIVABLE

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Bills receivable	**1,859,537**	1,153,590
Trade debtors	**812,267**	594,232
Less: allowance for doubtful debts	**(63,271)**	(59,732)
	2,608,533	1,688,090

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 3 months	**2,325,657**	1,432,777
3 to 6 months	**69,937**	101,155
6 to 12 months	**123,812**	58,600
over 12 months	**152,398**	155,290
	2,671,804	1,747,822

All of the trade and bills receivable (net of impairment losses for bad and doubtful debts) are expected to be recovered within one year.

Generally, the Group requires full payment upon delivery of goods for sale of cement, clinker and bubble 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 an average of credit period ranging from 90 days to 180 days.

Receivables that were past due but not impaired relate to a number of independent customers that have a good credit record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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(Expressed in Renminbi unless otherwise indicated)

13 OTHER RECEIVABLES AND PREPAYMENTS

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Prepayments for raw materials		**89,357**	70,496
Prepayments for long-lived assets		**867,324**	873,278
VAT recoverables		**475,468**	391,163
Amount due from related parties	24(b)	**47,972**	2,964
Amount due from third parties		**534,167**	339,752
Others		**30,865**	23,415
		2,045,153	1,701,068

14 CASH AND CASH EQUIVALENTS

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Cash at bank and in hand		**1,549,833**	1,083,220
Pledged bank deposits	(i)	**86,852**	41,054
		1,636,685	1,124,274
Less: Pledged bank deposits		**(86,852)**	(41,054)
Cash and cash equivalents		**1,549,833**	1,083,220

Notes:

(i) Cash deposits of RMB86,852,000 as at June 2013 (31 December 2012: RMB41,054,000) were mainly pledged to banks for the performance guarantee in relation to certain sales or purchases contracts. The pledged bank deposits will be released upon the expiry of the relevant guarantee.

15 LOANS AND BORROWINGS

(a) The analysis of the carrying amount of interest-bearing borrowings is as follows:

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Long-term interest-bearing borrowings:			
Bank loans – Secured	(i)	**2,012,935**	2,241,100
Bank loans – Unsecured	(ii)	**1,763,200**	2,180,600
Loan from government – Unsecured	(iii)	**8,182**	9,091
		3,784,317	4,430,791
Less: Current portion of long-term bank loans		**(1,303,309)**	(1,509,809)
Interest-bearing borrowings, less current portion		**2,481,008**	2,920,982

The long-term borrowings less current portion were repayable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
After one year but within two years	**1,057,609**	2,225,109
After two years but within five years	**1,119,762**	391,327
After five years	**303,637**	304,546
Total	**2,481,008**	2,920,982

15 LOANS AND BORROWINGS *(Continued)*

(a) The analysis of the carrying amount of interest-bearing borrowings is as follows: *(Continued)*

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Short-term interest-bearing borrowings:			
Bank loans – Secured	(iv)	**500,000**	277,500
Bank loans – Unsecured	(ii)	**80,000**	100,000
Short-term financing bill	(v)	**498,126**	–
		1,078,126	377,500
Add: Current portion of long-term bank loans		**1,303,309**	1,509,809
Short-term and current portion of interest-bearing borrowings:		**2,381,435**	1,887,309

Notes:

(i) The balances were either pledged by certain items of property, plant and equipment and interests in leasehold land held for own use under operating leases or guaranteed by companies within the Group.

(ii) Non-current bank loans with amount of RMB1,763,200,000 (2012: RMB2,180,600,000) and current bank loans with amount of RMB80,000,000 (2012: RMB100,000,000) are unsecured loans.

(iii) The government loan was received by Liaoning Shanshui Gongyuan Cement Co., Ltd. for constructing an environmental friendly production line. The loan is unsecured, bears interest at one-year PRC deposit interest rate plus 0.3% and is repayable annually from 2012 to 2022.

(iv) Current secured bank loans carried annual interest rates ranging from 6.00% to 7.22% (corresponding period in 2012: 6.89% to 7.22%) for the six months ended 30 June 2013. Current unsecured bank loans carried annual interest rate 5.60% (corresponding period in 2012: 7.22%) for the six months ended 30 June 2013.

(v) Shandong Shanshui Cement Group Company Limited ("Shandong Shanshui") issued the first tranche of the one-year short-term financing bill of RMB0.5 billion to corporate investors in the PRC inter-bank debenture market on 6 June 2013. The short-term financing bill bears fixed interest rate of 4.67% per annum, and the interests will be settled at the maturity date.

15 LOANS AND BORROWINGS *(Continued)*

(b) The analysis of the carrying amount of loans from equity shareholders is as follows:

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Long-term loans from equity shareholders – Secured	(i)	**176,248**	229,660
Less: Current portion of loans from equity shareholders		**(99,014)**	(100,730)
Loans from equity shareholders, less current portion		**77,234**	128,930

Notes:

(i) Anqiu Shanshui Cement Company Limited and Pingyin Shanshui Cement Company Limited entered into loan agreements with one of the Company's equity shareholders, International Finance Corporation ("IFC"), totalling USD50,000,000 in 2006. The loans bear interest at London Inter Bank Offered Rate ("LIBOR") plus 4% per annum and are repayable bi-annually from 2008 to 2014 and are secured by certain items of property, plant and equipment of the subsidiaries.

Weihai Shanshui Cement Company Limited, Qingdao Shanshui Chuangxin Cement Company Limited, Linqu Shanshui Cement Company Limited and Zaozhuang Chuangxin Cement Company Limited entered into loan agreements with IFC, totalling USD50,000,000 in 2010. The loans bear interest at LIBOR plus 4.25% per annum and are repayable bi-annually from 2010 to 2015 and are secured by certain items of property, plant and equipment of the subsidiaries.

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16 TRADE AND BILLS PAYABLE

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade payables	**2,820,407**	2,590,142
Bills payable	**1,173**	1,782
	2,821,580	2,591,924

As at 30 June 2013 and 31 December 2012, all trade and bills payable of the Group are repayable on demand except for bills payable which are repayable within 6 months. All trade and bills payable are expected to be settled within one year.

17 OTHER PAYABLES AND ACCRUED EXPENSES

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Customer deposits and receipts in advance		**1,064,188**	431,515
Accrued payroll and welfare		**132,579**	172,785
Taxes payable other than income tax		**224,413**	152,429
Staff compensation and termination provisions		**169,477**	170,910
Amount due to related parties	24(b)	**503**	645
Payable to third parties of acquired subsidiaries		**110,365**	105,754
Acquisition consideration payable		**156,648**	205,119
Current portion of long-term payables		**41,159**	55,937
Accrued expenses and other payables		**427,921**	408,248
		2,327,253	1,703,342

18 LONG-TERM BONDS

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Medium-term notes	a	**3,700,000**	1,900,000
Less: Current portion of medium-term notes		**(1,900,000)**	(1,000,000)
Corporate bonds	b	**6,442,960**	6,528,400
Long-term bonds, less current portion		**8,242,960**	7,428,400

Notes:

Issuer	Principal '000	Issue date	Maturity date	Interest rates	Interest payment term
(a) Medium-term notes issued in the PRC inter-bank debenture market					
Shandong Shanshui	RMB1,000,000	11/10/2010	12/10/2013	4.20%	annually
Shandong Shanshui	RMB900,000	25/03/2011	28/03/2014	5.78%	annually
Shandong Shanshui	RMB1,800,000	18/01/2013	21/01/2016	5.44%	annually
(b) Corporate bonds issued in the Singapore Exchange Ltd.					
The Company	USD400,000	25/05/2011	25/05/2016	8.50%	semi-annually
The Company	RMB1,500,000	15/07/2011	22/07/2014	6.50%	semi-annually
The Company	USD400,000	20/04/2012	27/04/2017	10.50%	semi-annually

19 DEFERRED INCOME

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
At 1 January	**324,142**	327,110
Additions	**–**	13,896
Recognised in consolidated income statement	**(8,434)**	(16,864)
At 30 June/31 December	**315,708**	324,142

Deferred income mainly represents the PRC local government grants received from related authorities for fixed asset investment, such as cement and clinker plants and residual heat generation plants. The subsidies are recognised in consolidated income statement over the estimated useful lives of the respective assets. There are no unfulfilled conditions and contingencies relating to the grants.

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20 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the interim period	**531,428**	551,914
Final dividend in respect of the previous financial year, paid during the interim period	**–**	–

Pursuant to the shareholders' approval at the Annual General Meeting on 24 May 2013, a final dividend of HKD0.233 per share totaling HKD656,116,397.00 (inclusive of applicable tax, equivalent to RMB531,428,000) in respect of the year ended 31 December 2012 was approved on 24 May 2013.

21 ACQUISITIONS

The Group acquired the equity interests of the following entity engaged in cement business in Shandong Province and Shaanxi Province during the six months ended 30 June 2013. The acquisition is expected to provide the Group with an increased market share in the respective regions. The fair value of net identifiable assets of these acquirees is determined based on a preliminary valuation carried out by a qualified independent valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The fair value has been determined on a provisional basis and is subject to change pending finalisation of the valuation. The finalisation of the valuation could affect the amounts assigned to the assets and the related depreciation/amortisation charges for these assets and the amounts of goodwill/discount recognised.

Name of company	Voting right	Date of acquisition	Principal activities
Jingbian Shanshui Cement Co., Ltd. 靖邊縣山水水泥有限公司	80%	22 January 2013	Production and sale of cement
Feicheng Mashan Cement Co., Ltd. 肥城市馬山水泥有限責任公司	90%	20 March 2013	Production and sale of cement

21 ACQUISITIONS *(Continued)*

These acquisitions had the following effect on the Group's assets and liabilities as at the date of acquisition:

	Pre-acquisition carrying amount	Fair value adjustment	Recognised values on acquisition
	RMB'000	RMB'000	RMB'000
Fixed assets	28,135	–	28,135
Cash and cash equivalents	24,007	–	24,007
Trade and other receivables	29,941	–	29,941
Trade and other payables	(35,313)	–	(35,313)
Net identifiable assets	46,770	–	46,770
Non-controlling interest arising on business combination			(7,537)
Goodwill arising on acquisition			11,767
Total purchase consideration			51,000
Satisfied by:			
Cash paid			51,000
Cash flow in respect of the acquisition:			
Cash paid by the Group			51,000
Less: Cash acquired			(24,007)
Net cash outflow in respect of the acquisition			26,993

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets measured at fair value

	Fair value measurements as at 30 June 2013 using			
	Fair value at 30 June 2013 RMB'000	**Quoted prices in active market for identical assets (level 1) RMB'000**	**Significant other observable inputs (level 2) RMB'000**	**Significant unobservable inputs (level 3) RMB'000**
Assets				
Available-for-sale securities:				
– Listed	**5,222**	**5,222**	**–**	**–**

	Fair value measurements as at 31 December 2012 using			
	Fair value at 31 December 2012 RMB'000	Quoted prices in active market for identical assets (level 1) RMB'000	Significant other observable inputs (level 2) RMB'000	Significant unobservable inputs (level 3) RMB'000
Assets				
Available-for-sale securities:				
– Listed	6,338	6,338	–	–

During the six months ended 30 June 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2012: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2013 and 31 December 2012 except for the following financial instrument, for which its carrying amounts and fair values are disclosed below:

	At 30 June 2013		At 31 December 2012	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Corporate bond	**2,471,480**	**2,764,968**	2,514,200	2,910,187

23 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding not provided for in the interim financial report were as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Authorised and contracted for		
– the acquisitions of fixed assets	**1,554,893**	2,136,260
– the acquisitions of subsidiaries	**626,891**	51,000
Authorised but not contracted for		
– the acquisitions of fixed assets	**1,682,484**	2,626,734
	3,864,268	4,813,994

(b) Operating lease commitments

At 30 June 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 year	**18,003**	18,030
After 1 year but within 2 years	**17,254**	16,621
After 2 years but within 5 years	**49,342**	48,727
After 5 years	**112,233**	115,680
	196,832	199,058

The Group leases a number of pieces of land and ports storage space under non-cancellable operating leases. The leases typically run without any contingent lease terms, nor did the lease agreements contain any terms that may require higher future rental payments, restrictions on dividends, additional liabilities, or other terms.

(VII) Interim Financial Statements (Unaudited)
Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions

	Note	Six months ended 30 June 2013 RMB'000	2012 RMB'000
Recurring transactions			
Sales to:			
– Dong'e Shanshui Dongchang Cement Co., Ltd. ("Dong'e Shanshui")	(i)	**20,492**	24,013
Purchase from:			
– Dong'e Shanshui	(i)	**9,450**	–
Non-recurring transactions			
Loans from related parties and related interest expenses:			
– IFC		**4,806**	9,314
Loans to an associate and related interest income:			
– Dong'e Shanshui	(ii)	**468**	2,561
Repayment of loans to an associate and related interests by:			
– Dong'e Shanshui		**6,061**	18,000
Repayment of loans from related parties and related interests to:			
– IFC		**58,361**	58,931
Dividend due from:			
– Dong'e Shanshui		**43,120**	–

Notes:

(i) These represent sales of coal to Dong'e Shanshui and purchases of clinkers from Dong'e Shanshui. The directors of the Company are of the opinion that these transactions were conducted on normal commercial terms and in the ordinary course of business of the Group.

(ii) These relate to loans and related interests to Dong'e Shanshui, the associate of the Group.

24 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Accounts receivables due from:			
– Dong'e Shanshui		**1,155**	4,287
Advances to suppliers:			
– Dong'e Shanshui		**2,820**	920
Advances to customers:			
– Dong'e Shanshui		**150**	149
Other receivables due from:			
– China Shanshui Investment Co., Ltd.		**691**	703
– Jinan Shanshui Group Property Development Co., Ltd.		**1,341**	1,341
– Dong'e Shanshui	(i)	**43,120**	–
		45,152	2,044
Other financial assets due from			
– Dong'e Shanshui		**60,600**	66,193
Other payables due to:			
– Dong'e Shanshui		**30**	30
– IFC		**323**	466
		353	496
Loans due to:			
– IFC		**176,248**	229,660

Notes:

(i) This relates to dividend receivable due from Dong'e Shanshui, the associate of the Group.

24 MATERIAL 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 is as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Salary, allowances and other benefits	**1,146**	1,289
Contribution to defined contribution retirement plans	**69**	60
	1,215	1,349

25 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 25 March 2013, Shandong Shanshui, a subsidiary of the Group, entered into an equity transfer the agreement with a third party for the acquisition of the 100% equity interests in Qixia Xinghao Cement Company Limited ("Qixia Xinghao") for an aggregate consideration of RMB503 million. Qixia Xinghao is located in Yantai City, Shandong Province and is principally engaged in the production and sales of cement and clinker. The transfer was completed on 2 August 2013.