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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)

US\$500,000,000 7.50% SENIOR NOTES DUE 2020

(Stock Code: 5880)

INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2015

During the reporting period, there was a substantial decrease in the sales volume and the selling prices of the principal products of the Company, and as a result, there was a substantial decrease in operating revenue as compared to the corresponding period of 2014, and a loss in operating profit and profit attributable to equity shareholders of the Company as compared to a profit of the said period, and such loss was relatively significant.

Operating revenue for the first half of year 2015 amounted to approximately RMB5,064 million (in accordance with International Financial Reporting Standards), representing a decrease of 31.1% as compared to the corresponding period of 2014;

Operating loss for the first half of year 2015 amounted to approximately RMB239 million (in accordance with International Financial Reporting Standards);

Loss attributable to equity shareholders of the Company for the first half of year 2015 amounted to approximately RMB992 million (in accordance with International Financial Reporting Standards);

Basic loss per share for the first half of year 2015 was RMB0.29 (in accordance with International Financial Reporting Standards).

Unless otherwise stated, the currency unit in this announcement refers to Renminbi, the lawful currency of the People's Republic of China ("PRC").

CONTENTS

Definitions	2
(I) Company Profile	3
(II) Key Data	5
(III) Changes in Share Capital and Shareholdings of Substantial Shareholders and the Directors	6
(IV) Basic Information on Directors, Senior Management and Employees	12
(V) Management Discussion and Analysis	14
(VI) Major Events	26
(VII) Interim Financial Statements (Unaudited)	29

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 2015 to 30 June 2015
"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

(I) Company Profile

1. BOARD OF DIRECTORS

Executive Directors

ZHANG Bin (*Chairman and General Manager*)
ZHANG Caikui
LI Cheung Hung

Non-Executive Directors

CHANG Zhangli (*appointed as Non-Executive Director of the Company on 22 May 2015*)
LEE Kuan-chun (*also known as Champion LEE*) (*appointed as Non-Executive Director of the Company on 22 May 2015*)

Note: Mr. XIAO Yu did not offer himself for appointment of Non-Executive Director of the Company on 22 May 2015.

Independent Non-Executive Directors

WU Xiaoyun
ZENG Xuemin (*appointed as Independent Non-Executive Director of the Company on 10 June 2015*)
SHEN Bing (*appointed as Independent Non-Executive Director of the Company on 10 June 2015*)

Note: Mr. WANG Jian and Mr. HOU Huailiang did not offer themselves for appointment of Independent Non-Executive Directors of the Company on 22 May 2015.

Audit Committee

WU Xiaoyun (*Chairman*) (*appointed as Chairman of the Audit Committee on 10 June 2015*)
ZENG Xuemin (*appointed as Member of the Audit Committee on 10 June 2015*)
SHEN Bing (*appointed as Member of the Audit Committee on 10 June 2015*)

Note: Mr. WANG Jian and Mr. HOU Huailiang did not offer themselves for appointment of Chairman and Member of the Audit Committee respectively on 22 May 2015.

Remuneration Committee

SHEN Bing (*Chairman*) (*appointed as Chairman of the Remuneration Committee on 10 June 2015*)
WU Xiaoyun
ZENG Xuemin (*appointed as Member of the Remuneration Committee on 10 June 2015*)

Note: Mr. WANG Jian and Mr. HOU Huailiang did not offer themselves for appointment of Chairman and Member of the Remuneration Committee respectively on 22 May 2015.

Executive Committee

ZHANG Bin (*Chairman*)
ZHANG Caikui
LI Cheung Hung

Nomination Committee

ZHANG Bin (*Chairman*)
LEE Kuan-chun (*appointed as Member of the Nomination Committee on 10 June 2015*)
WU Xiaoyun
ZENG Xuemin (*appointed as Member of the Nomination Committee on 10 June 2015*)
SHEN Bing (*appointed as Member of the Nomination Committee on 10 June 2015*)

Note: Mr. WANG Jian and Mr. HOU Huailiang did not offer themselves for appointment of Members of the Nomination Committee on 22 May 2015.

(I) Company Profile

2. COMPANY PROFILE

- | | | | |
|------|---|---|---|
| (1) | Company Name | : | 中國山水水泥集團有限公司 |
| | 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 | : | Sunnys 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 Bin, ZHANG Caikui |
| (7) | Alternate Authorised Representative | : | LI Cheung Hung |
| (8) | Joint Company Secretary | : | ZHANG Bin, LI Cheung Hung – FCPA, FCIS |
| (9) | Principal Bankers | : | China Merchants Bank
China Construction Bank Corporation
Bank of China |
| (10) | Listing Date | : | 4 July 2008 |
| (11) | Website for publication of this report | : | www.shanshuigroup.com |
| (12) | Stock Exchange on which the Company's shares are listed | : | The Hong Kong Stock Exchange |
| (13) | Stock code | : | 691 |
| (14) | Stock Short Name | : | Shanshui Cement |
| (15) | 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 |
| (16) | Legal Advisers | : | |
| | as to PRC laws | : | Commerce & Finance Law Offices |
| | as to Hong Kong laws | : | Norton Rose Fulbright Hong Kong
Freshfields Bruckhaus Deringer |
| (17) | Auditor | : | KPMG |

(II) Key Data

1. KEY FINANCIAL DATA

(Unit: RMB'000)

	January to June 2015	January to June 2014
Revenue	5,063,612	7,348,965
Gross profit	732,961	1,533,576
Gross profit margin	14.5%	20.9%
(Loss)/profit from operations	(239,028)	856,391
Profit margin from operations	-4.7%	11.7%
EBITDA	344,291	1,520,710
EBITDA margin	6.8%	20.7%
Net (loss)/profit	(1,096,074)	151,652
(Loss)/profit attributable to equity shareholders of the Company	(992,173)	167,863
Basic (loss)/earnings per share (RMB)	(0.29)	0.06
Net cash (used in)/generated from operating activities	(137,513)	785,966
	30 June 2015	31 December 2014
Total assets	35,994,342	33,695,497
Total liabilities	25,647,356	22,329,171
Equity attributable to equity shareholders of the Company	9,680,691	10,597,967
Net gearing ratio	60.8%	56.9%

2. KEY BUSINESS DATA

	January to June 2015	January to June 2014
Sales volume of cement ('000 tonnes)	19,444	24,355
Sales volume of clinker ('000 tonnes)	3,389	4,508
Sales volume of concrete ('000 m ³)	1,101	1,636
Unit selling price of cement (RMB/tonne)	211.6	240.3
Unit selling price of clinker (RMB/tonne)	170.0	202.6
Unit selling price of concrete (RMB/m ³)	274.0	302.4

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

1. CHANGES IN SHARE CAPITAL

As of 30 June 2015, our authorised share capital was US\$100,000,000 divided into 10,000,000,000 Shares of par value of US\$0.01 each.

On 27 October 2014 (after trading hours), the Company entered into the subscription agreement with China National Building Material Company Limited (the “Subscriber”), pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 563,190,040 ordinary shares of US\$0.01 each in the share capital of the Company at the price of HK\$2.77 per subscription share for a total consideration of approximately HK\$1,560 million (the “Subscription”). The subscription price of HK\$2.77 per subscription share represents the closing price of HK\$2.77 per share as quoted on the Stock Exchange on 27 October 2014, being the date of the subscription agreement. The aggregate net proceeds of the Subscription, after the deduction of the related expenses, was approximately HK\$1,547 million, representing a net issue price of approximately HK\$2.75 per subscription share. Completion of the Subscription took place on 3 November 2014.

The Company considered that the Subscription provides the Company with an opportunity to enhance its shareholders’ base and raise additional funds for the Group. The Company considered the Subscription to be beneficial (i) in terms of using capital operation as a bond between the Group and the Subscriber to lay the foundation for future cooperation on industry technology, business operations, energy saving and emission reduction and project management; (ii) in replenishing the Group’s working capital, reducing gearing level and improving corporate efficiency; and (iii) in implementing the national industrial policies in the areas where the parties are located, which are to strengthen industry self-discipline, reduce disorderly competition and improve market mechanism. The Company has applied the net proceeds of the Subscription for the purpose of repayment of the Company’s US dollar bonds and interests.

During the Reporting Period, the Company has not issued any additional Shares.

As of 30 June 2015, the Company has issued a total of 3,379,140,240 Shares.

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

2. SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As of 30 June 2015, 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
Tianrui (International) Holding Company Limited ⁽²⁾	951,462,000(L)	Interests of corporations controlled by substantial shareholder	28.16%
China Shanshui Investment Company Limited ⁽³⁾	847,908,316(L)	Beneficial owner	25.09%
Asia Cement Corporation ⁽⁴⁾	426,383,000(L)	Interests of corporations controlled by substantial shareholder	12.62%
	279,870,500(L)	Beneficial owner	8.28%
China National Building Material Company Limited ⁽⁵⁾	563,190,040(L)	Interests of corporations controlled by substantial shareholder	16.67%

Notes:

- (1) The letter "L" denotes a long position in such Shares.
- (2) As stated in the form of disclosure of shareholder's interests submitted by Tianrui (International) Holding Company Limited on 16 April 2015 (the date of the relevant event set out in the form was 15 April 2015), these Shares were held via Tianrui (International) Holding Company Limited.
- (3) As stated in the form of disclosure of shareholder's interests submitted by China Shanshui Investment Company Limited on 18 November 2014 (the date of the relevant event set out in the form was 3 November 2014), these Shares were held via China Shanshui Investment Company Limited.
- (4) As stated in the form of disclosure of shareholder's interests submitted by Asia Cement Corporation on 2 December 2014 (the date of the relevant event set out in the form was 1 December 2014), these Shares were held via Asia Cement Corporation and its affiliates.
- (5) As stated in the form of disclosure of shareholder's interests submitted by China National Building Material Company Limited on 5 November 2014 (the date of the relevant event set out in the form was 3 November 2014), these Shares were held via China National Building Material Company Limited.

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

Save as disclosed above, and so far as the Directors are aware, as of 30 June 2015, 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.

4. SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Company on 14 June 2008. The Company has granted respectively: (1) options for subscription of 7,300,000 Shares on 25 May 2011, and the closing price of the Shares as at the date of grant was HK\$7.83 per Share; and (2) options for subscription of 207,300,000 Shares on 27 January 2015, and the closing price of the Shares as at the date of grant was HK\$3.68 per Share (subject to the result of the legal proceedings as described under "Material Legal Proceedings and Arbitration" under the section "Major Events" in this interim report). 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
	27 January 2015	Options for subscription of 20,000,000 Shares	Six months after the Date of Grant	HK\$3.68	Nil	Nil	Nil	Nil	Options for subscription of 20,000,000 Shares
ZHANG Caikui, Executive Director	27 January 2015	Options for subscription of 23,600,000 Shares	Six months after the Date of Grant	HK\$3.68	Nil	Nil	Nil	Nil	Options for subscription of 23,600,000 Shares

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

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
LI Cheung Hung, <i>Executive Director</i>	25 May 2011	Options for subscription of 200,000 Shares	Nil	HK\$7.90	Nil	Nil	Nil	Nil	Options for subscription of 200,000 Shares
	27 January 2015	Options for subscription of 9,000,000 Shares	Six months after the Date of Grant	HK\$3.68	Nil	Nil	Nil	Nil	Options for subscription of 9,000,000 Shares
Employees	25 May 2011	Options for subscription of 2,100,000 Shares	Nil	HK\$7.90	Nil	Nil	Nil	Nil	Options for subscription of 2,100,000 Shares
	27 January 2015	Options for subscription of 154,700,000 Shares	Six months after the Date of Grant	HK\$3.68	Nil	Nil	Nil	Nil	Options for subscription of 154,700,000 Shares
		Total number of options granted and accepted	Options for subscription of 214,600,000 Shares		Nil	Nil	Nil	Nil	Options for subscription of 214,600,000 Shares

Note: The Company has granted options for subscription of 207,300,000 Shares to certain directors and employees of the Company on 27 January 2015, subject to the result of the legal proceedings as described under "Material Legal Proceedings and Arbitration" under the section "Major Events" in this interim report.

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

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.

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 214,600,000 Shares, representing approximately 6.35% of our share capital in issue (3,379,140,240 Shares) as of 30 June 2015.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 260,336,000 Shares (the "Scheme Mandate Limit"), being 10% of the total number of Shares in issue at the date of adoption of the Share Option Scheme, save for renewal of the Scheme Mandate Limit under the Listing Rules. As of the date of this report, the outstanding Scheme Mandate Limit is 45,736,000 Shares, representing approximately 17.57% of Scheme Mandate Limit and approximately 1.35% of the entire issued share capital of the Company.

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 validity of the options granted by the Board on 27 January 2015 shall be ten years from 27 January 2015.

The price at which the Shares may be subscribed upon exercise of an option granted shall be at least the highest of: (i) the closing price of the Shares as stated in the 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 2015, 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 2015
ZHANG Bin	The Company	Beneficial owner	25,000,000 (L) ⁽²⁾	0.74%
ZHANG Caikui	The Company	Beneficial owner	23,600,000 (L) ⁽³⁾	0.70%
LI Cheung Hung	The Company	Beneficial owner	9,200,000 (L) ⁽⁴⁾	0.27%

Notes:

- (1) The Letter "L" denotes a long position in such Shares.
- (2) The 25,000,000 Shares are the Shares to be issued upon full exercise of the options granted to Mr. ZHANG Bin on 25 May 2011 and 27 January 2015. For details, please refer to Section 4 "Share Option Scheme" of this Chapter.
- (3) The 23,600,000 Shares are the Shares to be issued upon full exercise of the options granted to Mr. ZHANG Caikui on 27 January 2015. For details, please refer to Section 4 "Share Option Scheme" of this Chapter.
- (4) The 9,200,000 Shares are the Shares to be issued upon full exercise of the options granted to Mr. LI Cheung Hung on 25 May 2011 and 27 January 2015. For details, please refer to Section 4 "Share Option Scheme" of this Chapter.

Save as disclosed above, as of 30 June 2015, 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

Pursuant to Article 16.18 of the Articles of Association, Mr. WANG Jian, Mr. XIAO Yu and Mr. HOU Huailiang retired as directors by rotation at the 2014 annual general meeting held on 22 May 2015. Mr. CHANG Zhangli and Mr. LEE Kuan-chun have been appointed as Non-Executive Directors of the Company.

Ms. ZENG Xuemin and Mr. SHEN Bing have been appointed as Independent Non-Executive Directors of the Company at the meeting of the Board held on 10 June 2015. Pursuant to Article 16.2 of the Articles of Association, Ms. ZENG Xuemin and Mr. SHEN Bing shall hold office only until the next general meeting of the Company and shall then be subject to re-election at that meeting. Ms. ZENG Xuemin and Mr. SHEN Bing have been re-elected as Directors of the Company at the extraordinary general meeting held on 29 July 2015.

2. CODE ON CORPORATE GOVERNANCE PRACTICES

From 22 May 2015 to 9 June 2015, upon retirement of Mr. Wang Jian and Mr. Hou Huailiang as independent non-executive Directors, the Board had only one independent non-executive Director, one Audit Committee member, one Remuneration Committee member and two Nomination Committee members, the number of which have fallen below the minimum number required under Rule 3.10(1), Rule 3.10A, Rule 3.21 and Rule 3.25 of the Listing Rules and the requirement under the Appendix 14 A.5.1 of the Corporate Governance Code. Further, the Company is not in compliance with Rule 3.10(2) of the Listing Rules as the current independent non-executive Director does not have the appropriate accounting or related financial management qualification or expertise.

On 10 June 2015, the Company has appointed Ms. WU Xiaoyun as chairman of the Audit Committee, Mr. LEE Kuan-chun (*also known as Champion LEE*) as member of the Nomination Committee, Mr. SHEN Bing and Ms. ZENG Xuemin as independent non-executive Director, Mr. SHEN Bing as chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee, and Ms. ZENG Xuemin as member of the Audit Committee, Remuneration Committee and Nomination Committee. Upon such appointments, the minimum number required under Rule 3.10(1), Rule 3.10A, Rule 3.21 and Rule 3.25 of the Listing Rules, the requirement under the Appendix 14 A.5.1 of the Corporate Governance Code and the requirement under Rule 3.10(2) of the Listing Rules, have been fulfilled by the Company.

During the Reporting Period, with the exception of the above non-compliance and the appointment of Mr. ZHANG Bin to serve the combined roles of Chairman and General Manager, the Board of the Company was not aware of any information which would indicate that the Company did not comply with Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules of the Stock Exchange.

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

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 for Securities Transactions by Directors of Listed Issuers ("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 2015, the Group had a total of 22,209 employees. The aggregate remuneration of the employees for the Reporting Period was RMB661 million.

(V) Management Discussion and Analysis

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW

Confronted with economic downward pressure, the Chinese Government adhered to the general tone of moving forward while maintaining stability since the beginning of this year. It proactively guided the new normal of economic development by prioritizing structural adjustment and changing methods with a view to enhance quality and efficiency, placing more efforts on deepening reform and opening up and tapping on the vitality of the market. In the first half of 2015, GDP of China amounted to RMB29.6868 trillion, representing an increase of 7.0% as compared to the same period of last year. Total fixed asset investment of China amounted to RMB23.7132 trillion, representing an increase of 11.4% as compared to the same period of last year. In particular, investment on real estate development amounted to RMB4.3955 trillion, representing an increase of 4.6% as compared to the same period of last year. **(Source: National Bureau of Statistics)**

In the first half of 2015, as a result of the significant slowdown of fixed asset and real estate investment, demand in the cement market had shrunk. Coupled with severe overcapacity, competition remained fierce in the market, both sales volume and prices were on the downside. In the first half of 2015, the whole cement industry output was 1,077.14 million tons, down by 5.3% as compared to the same period of last year. The whole cement industry realized a total profit of RMB13.265 billion, down by approximately 61% as compared to the same period of last year. **(Source: Digital Cement)**

(V) Management Discussion and Analysis

2. COMPANY'S BUSINESS REVIEW

In the first half of 2015, the Group improved and refined fundamental internal management, enhancing the quality of production, operation and keeping sustainable profitability.

During the Reporting Period, the following projects were put into operation:

	Added clinker capacity (Million Tonnes)	Added cement capacity (Million Tonnes)
Completed Line		
4,000t/d clinker production line project (equipped with residual heat generation facilities) of Linqu Shanshui Cement Co., Ltd (Phase II)*	1.28	–
4,000t/d clinker production line project (equipped with residual heat generation facilities) of Linfen Shanshui Cement Co., Ltd*	1.28	2.00
4,500t/d clinker production line project (equipped with residual heat generation facilities) of Shuozhou Shanshui Xinshidai Cement Co., Ltd	1.44	2.00
Total added capacity	4.00	4.00

* This is a greenfield project at final stage.

As at 30 June 2015, the Group had a total production capacity of 106.60 million tonnes of cement, 52.93 million tonnes of clinker and 19.40 million cubic meters of concrete.

During the Reporting Period, the Group's total sales of cement and clinker were 22.83 million tonnes, representing a year-on-year decrease of 20.9%; sales volume of concrete was 1.10 million cubic meters, representing a year-on-year decrease of 32.7%; sales revenue was RMB5,064 million, representing a year-on-year decrease of 31.1%; and the loss for the period was RMB1,096 million.

(V) Management Discussion and Analysis

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 2015		January-June 2014		Sales revenue Year-on- year change
	Sales revenue	Sales proportion	Sales revenue	Sales proportion	
Cement	4,113,408	81.2%	5,851,799	79.6%	-29.7%
Clinker	576,164	11.4%	913,505	12.5%	-36.9%
Concrete	301,647	6.0%	494,656	6.7%	-39.0%
Others	72,393	1.4%	89,005	1.2%	-18.7%
Total	5,063,612	100.0%	7,348,965	100.0%	-31.1%

During the Reporting Period, the Company's sales revenue decreased by 31.1% to RMB5,064 million. With regard to revenue breakdown by products, cement revenue amounted to RMB4,113 million, representing a year-on-year decline of 29.7%, and clinker revenue amounted to RMB576 million, representing a year-on-year decline of 36.9%. The revenue from concrete amounted to RMB302 million, representing a year-on-year decline of 39.0%.

(V) Management Discussion and Analysis

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 ('000 tonnes)	The corresponding period of last year Sales volume ('000 tonnes)	Sales volume change	The reporting period unit selling price (RMB/tonne)	The corresponding period of last year unit selling price (RMB/tonne)	Unit selling price change
Cement	19,444	24,355	-20.2%	211.6	240.3	-11.9%
Clinker	3,389	4,508	-24.8%	170.0	202.6	-16.1%
	('000 m ³)	('000 m ³)		(RMB/m ³)	(RMB/m ³)	
Concrete	1,101	1,636	-32.7%	274.0	302.4	-9.4%

During the Reporting Period, the sales volume of cement of the Company amounted to 19.44 million tonnes, representing a year-on-year decrease of 20.2%, the sales volume of clinker decreased to 3.39 million tonnes, representing a year-on-year decrease of 24.8%. The unit selling price of cement decreased by 11.9% to RMB211.6 per tonne, while the unit selling price of clinker decreased by 16.1% to RMB170.0 per tonne. The sales volume of concrete decreased to 1.10 million cubic meter, representing a year-on-year decline of 32.7%. The unit selling price of concrete declined by 9.4% to RMB274.0/m³.

(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	203.9	240.6	-15.3%
Northeast Region	228.3	246.9	-7.5%
Shanxi Region	196.5	209.9	-6.4%
Xinjiang Region	262.2	233.7	12.2%

(V) Management Discussion and Analysis

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 RMB203.9 per tonne, representing a year-on-year decrease of 15.3%, that in Northeast Region was RMB228.3 per tonne, representing a year-on-year decrease of 7.5%, that in Shanxi Region was RMB196.5 per tonne, representing a year-on-year decrease of 6.4%, and that in Xinjiang Region was RMB262.2 per tonne, representing a year-on-year increase of 12.2%.

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

	January-June 2015		January-June 2014		Change in sales volume
	Sales Volume (<i>'000 tonnes</i>)	Sales proportion	Sales Volume (<i>'000 tonnes</i>)	Sales proportion	
High grade cement	12,740	65.5%	16,069	66.0%	-20.7%
Low grade cement	6,704	34.5%	8,286	34.0%	-19.1%

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 12.74 million tonnes, representing a year-on-year decrease of 20.7%, and sales volume of low grade cement was 6.70 million tonnes, representing a year-on-year decrease of 19.1%.

(V) Management Discussion and Analysis

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 2015		January-June 2014		Sales revenue change
	Sales revenue	Sales proportion	Sales revenue	Sales proportion	
Shandong Region	3,393,418	67.0%	5,112,832	69.6%	-33.6%
Northeast Region	1,243,549	24.5%	1,691,217	23.0%	-26.5%
Shanxi Region	246,445	4.9%	369,446	5.0%	-33.3%
Xinjiang Region	180,200	3.6%	175,470	2.4%	2.7%
Total	<u>5,063,612</u>	<u>100.0%</u>	<u>7,348,965</u>	<u>100.0%</u>	<u>-31.1%</u>

Our operating companies in Shandong Region recorded sales revenue of RMB3,393 million, accounting for 67.0% of the Group's total sales revenue in the first half of 2015, representing a year-on-year decrease of 33.6%. Our operating companies in Northeast Region reported sales revenue of RMB1,244 million, accounting for 24.5% of the Group's total sales revenue in the first half of 2015 and representing a year-on-year decrease of 26.5%. The commencement of operations for operating companies in Shanxi 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 2015	January-June 2014	Y-O-Y change
Revenue	5,063,612	7,348,965	-31.1%
Gross profit	732,961	1,533,576	-52.2%
EBITDA	344,291	1,520,710	-77.4%
(Loss)/profit from operations	(239,028)	856,391	—
(Loss)/profit before taxation	(1,060,072)	301,253	—
(Loss)/profit for the period	(1,096,074)	151,652	—
(Loss)/profit attributable to equity shareholders of the Company	<u>(992,173)</u>	<u>167,863</u>	<u>—</u>

(V) Management Discussion and Analysis

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 RMB5,064 million, representing a year-on-year decrease of 31.1%; loss from operations was RMB239 million, loss for the period was RMB1,096 million, loss attributable to equity shareholders of the Company was RMB992 million. The decrease in profit was mainly due to the fall of sales volume and selling prices.

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

(Unit: RMB'000)

Cost of sales	January-June 2015		January-June 2014		Change of proportion to revenue
	Amount	Proportion to revenue	Amount	Proportion to revenue	
Raw materials	1,205,498	23.8%	1,841,064	25.1%	-1.3P.Pt.
Coal	983,104	19.4%	1,519,316	20.7%	-1.3P.Pt.
Power	661,404	13.1%	853,360	11.6%	1.5P.Pt.
Depreciation and amortisation	411,853	8.1%	534,007	7.3%	0.8P.Pt.
Others	1,068,792	21.1%	1,067,642	14.5%	6.6P.Pt.
Total cost of sales	4,330,651	85.5%	5,815,389	79.1%	6.4P.Pt.

During the Reporting Period, the proportion of the Group's total cost of sales to revenue was 85.5%, representing an increase of 6.4 percentage points compared with same period last year. Of which, the proportion of raw materials costs to revenue was 23.8%, an decrease of 1.3 percentage points compared with same period last year. The proportion of coal costs to revenue was 19.4%, a decrease of 1.3 percentage points compared with same period last year. The Group's average unit purchase price of coal in the first half of 2015 decreased by 14.2% to RMB469.0/tonne compared with same period last year. As for cost reduction, output of residual heat power generation was 415 million KWH in the first half of 2015, thus reducing the cost of clinker by RMB153 million.

(V) Management Discussion and Analysis

3. COMPANY'S FINANCIAL REVIEW

(I) Expenses during the period

(Unit: RMB'000)

	January-June 2015		January-June 2014		Proportion to sales revenue changes
	Amount	Proportion to sales revenue	Amount	Proportion to sales revenue	
Sales and marketing expenses	227,880	4.5%	214,190	2.9%	1.6P.Pt.
Administrative expenses	851,288	16.8%	572,780	7.8%	9.0P.Pt.
Finance costs	809,289	16.0%	560,070	7.6%	8.4P.Pt.
Total	1,888,457	37.3%	1,347,040	18.3%	19.0P.Pt.

During the Reporting Period, the proportion of sales and marketing expenses to sales revenue increased by 1.6 percentage points compared with the corresponding period of 2014. The proportion of administrative expenses to sales revenue increased by 9.0 percentage points as compared with same period last year. In addition, the proportion of the Group's finance costs to sales revenue increased by 8.4 percentage points compared with the corresponding period of 2014.

(II) Changes in balance sheet items

(Unit: RMB'000)

	As at 30 June 2015	As at 31 December 2014	Change
Non-current assets	26,475,008	26,645,735	-0.6%
Current assets	9,519,334	7,049,762	35.0%
Total assets	35,994,342	33,695,497	6.8%
Current liabilities	17,009,764	9,845,099	72.8%
Non-current liabilities	8,637,592	12,484,072	-30.8%
Total liabilities	25,647,356	22,329,171	14.9%
Minority interest	666,295	768,359	-13.3%
Equity attributable to equity shareholders of the Company	9,680,691	10,597,967	-8.7%
Total liabilities and equity	35,994,342	33,695,497	6.8%

(V) Management Discussion and Analysis

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

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

As of 30 June 2015, the Group's total assets were RMB35,994 million, total liabilities were RMB25,647 million and its net assets were RMB10,347 million. The net gearing ratio (net debts/(net debts + total equity)) was 60.8%, representing an increase of 3.9 percentage points compared with the end of the previous year. The Group's total current assets were RMB9,519 million, its total current liabilities were RMB17,010 million, and its net current liabilities were RMB7,491 million.

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

(Unit: RMB'000)

	As at 30 June 2015	As at 31 December 2014
Term of borrowings		
Short-term borrowings (including long-term borrowings with maturity within one year)	11,506,201	4,244,120
Long-term borrowings	8,079,327	11,904,899
Total	19,585,528	16,149,019

The Company's borrowings increased as a result of the capital needs for the development of its business. As of 30 June 2015, the Company's total borrowings were RMB19,586 million, an increase of RMB3,437 million as compared with the end of 2014. Of which, long-term borrowings with maturity more than 1 year amounted to RMB8,079 million and accounted for 41.2% of the Group's total borrowings.

(V) Management Discussion and Analysis

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

(IV) Capital expenditures

During the Reporting Period, the capital expenditures of the Group were approximately RMB1,024 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 2015 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 2015	As at 31 December 2014
Authorised and contracted for	435,562	594,894
Authorised but not contracted for	393,349	517,243
Total	828,911	1,112,137

As of 30 June 2015, the capital commitment authorised and contracted by the Group amounted to RMB436 million, representing an decrease of RMB159 million as compared with the beginning of the year. Furthermore, the capital commitment authorised but not contracted amounted to RMB393 million, representing an decrease of RMB124 million as compared with the beginning of the year.

(V) Management Discussion and Analysis

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

(V) Net cash flow analysis

(Unit: RMB'000)

	January-June 2015	January-June 2014
Net cash (used in)/generated from operating activities	(137,513)	785,966
Net cash used in investing activities	(879,197)	(1,247,053)
Net cash generated from financing activities	3,381,100	1,337,525
Net change in cash and cash equivalents	2,364,390	876,438
Balance of cash and cash equivalents as at 1 January	1,151,353	1,277,369
Effect of foreign exchange rates change	(499)	714
Balance of cash and cash equivalents as at 30 June	3,515,244	2,154,521

During the Reporting Period, the Group's net cash used in operating activities amounted to RMB138 million, representing an decrease of RMB923 million over the corresponding period of the previous year. Net cash used in investing activities amounted to RMB879 million, representing a decrease of RMB368 million in negative net cash flow compared with the same period of the previous year. Net cash generated from financing activities increased by RMB2,044 million to RMB3,381 million over the corresponding period of the previous year.

(V) Management Discussion and Analysis

4. OUTLOOK FOR THE SECOND HALF OF THE YEAR

Looking ahead to the second half of this year, with the increasing downward pressure on the economic growth, some policies in favour of the cement industry may be introduced and construction of some infrastructure projects will also be started. However, we expect there will be no significant improvement in market demand, and prices will remain low in the second half of this year. Given such a challenging business environment, the Company will continue to enhance the fundamental management and strengthen internal management and control so as to improve the profitability of the Company. Therefore, the Company will put more efforts on the following two aspects in the second half of this year:

1. **Enhance fundamental management and improve operational efficiency.** In the second half of this year, the Company will continue to enhance various fundamental management efforts and improve operational efficiency so as to adapt to new market competition in the cement industry and improve the quality of business operation. The Company will promote the implementation of its centralized procurement and supply management system and the formulation and implementation of its fundamental management systems so as to effectively reduce the costs of procurement and supply. The Company will reinforce the inspection, maintenance and standardized operation of equipment to improve equipment utilization rate, promote energy conservation and reduce production costs, and will also promote the implementation of benchmark management and on-site supervision mechanism to improve the overall management and operation efficiency of various subsidiaries, and implement strict cost control system to prevent drain of funds in management and improve corporate profitability.
2. **Timely adjust its marketing strategies to maximize profits.** In the second half of this year, in view of the downward pricing pressure resulting from weak market demand, the Company will adopt flexible sales strategies for our different regional markets and seek a balance in sales volume and price, so as to maximize corporate profits. In addition, the Company will, with effective sales risk assessment and control in place, focus on improving the incentive and restraint mechanisms of sales personnel and the pre-sale, in-sale and after-sale services for key customers, so as to adapt to new market competition environment and expand its market share.

Last but not least, Shanshui Group is determined to overcome various difficulties by taking effective measures to achieve the best possible results to reward the continued trust and support of our investors.

(VI) Major Events

1. CORPORATE GOVERNANCE

The Group has established a sound corporate governance structure. During the Reporting Period, the Board of Directors and its subordinated specialised committees 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, procurement management, sales management, project management and human resource management. In addition, the Company will also give full play to the Group's Audit Department, continue to enhance its internal audit and surveillance, and ensure efficient execution of the systems 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 2015.

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 2015 prepared in accordance with IFRS, and reviewed the unaudited interim results of the Group for the six months ended 30 June 2015.

5. MATERIAL LEGAL PROCEEDINGS AND ARBITRATION

- (1) The Company received a generally endorsed writ of summons dated 30 October 2014 issued by six individual minority shareholders (the "Plaintiffs") of China Shanshui Investment Company Limited (a controlling shareholder of the Company) ("China Shanshui Investment") in the High Court of Hong Kong Special Administrative Region (the "High Court") against, amongst other defendants as stated therein, the Company. The Plaintiffs sought an order from the High Court for, among other things, the Subscription Agreement dated 27 October 2014 entered into between the Company and China National Building Material Company Limited (the "Subscriber") (the "Subscription Agreement") and the Subscription of the Subscription Shares by the Subscriber in accordance with the terms and conditions of the Subscription Agreement (the "Subscription") be set aside.

A statement of claim (the "Statement of Claim") was served on the Company's legal adviser by the Plaintiffs' legal adviser on 23 January 2015. According to the Statement of Claim, the Plaintiffs seek, amongst other reliefs, an order that the Subscription Agreement and the relevant subscription of shares in the Company by the Subscriber be set aside on the basis of various allegations.

- (2) On 11 February 2015, certain individual minority shareholders of China Shanshui Investment (the "Applicant") have issued an originating summons (the "Originating Summons") for leave to be granted by the High Court to bring derivative action for and on behalf of China Shanshui Investment against, amongst others, the Company.

On 12 March 2015, the court hearing was held in respect of the Originating Summons. On 13 March 2015, the Company was informed that leave has been granted by the High Court.

On 17 March 2015, the court hearing was held in respect of the injunction application made by the Applicants for and on behalf of China Shanshui Investment seeking, amongst others, an order to restrain the Company from (i) issuing any new Shares pursuant to the exercise of the options to subscribe for a total of 207,300,000 new Shares offered to the grantees; and (ii) holding the extraordinary general meeting of the Shareholders to be convened for the purpose of allowing the Shareholders to consider and, if thought fit, approve the grant of Options to Mr. Zhang Caikui and Mr. Zhang Bin (the "Injunction Application"). The High Court has adjourned the court hearing in respect of the Injunction Application to 6 July 2015.

The court hearing in respect of the Injunction Application was then held on 6 July 2015. On 24 July 2015, the Company received a letter from the High Court informing the Company that the Injunction Application will be dismissed.

(VI) Major Events

- (3) On 12 May 2015, the Group has issued a writ of summons and an indorsement of claim in the High Court claiming against certain former management staff of the Group, that is, Mr. Dong Chengtian and Mr. Yu Yuchuan, both former executive directors of the Company, and Mr. Zhao Yongkui (the “Defendants”), for, amongst others, breach of the directors’ service agreements with the Company and misappropriation of funds. The Group seeks from the Defendants, amongst others, damages for breach of the directors’ service agreements, an account for the relevant misappropriated funds and/or damages to be assessed and declaratory relief.

For details of such legal proceedings, please refer to those announcements published by the Company on 27 October 2014, 3 November 2014, 26 January 2015, 27 February 2015, 16 March 2015, 18 March 2015, 10 April 2015, 12 May 2015 and 27 July 2015 respectively.

Other than the above legal proceedings, the Company is not subject to any other material legal proceedings or arbitration during the Reporting Period.

6. PUBLIC FLOAT

As at 16 April 2015, the public float of the Company was below 25%. As such, at the request of the Company, trading in the Shares and debt securities of the Company was suspended as from 9:00 a.m. on 16 April 2015. The Stock Exchange indicated that the trading in the Shares and debt securities of the Company will remain suspended until the 25% minimum public float is restored. The Board has convened a meeting to discuss all reasonable options available to the Company in resolving the public float issue. The Board had also written to certain substantial Shareholders in respect of the public float issue but there has not been any agreement reached between the Company and those substantial Shareholders. The Board will continue to monitor the progress of the above matters, and will continue to take all appropriate action and step with a view to be in compliance with the Listing Rules.

For details of the above matters, please refer to the announcements published by the Company on 16 April 2015 and 22 May 2015 respectively.

(VII) Interim Financial Statements (Unaudited)

Consolidated statement of profit or loss

For the six months ended 30 June 2015 – Unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2015 RMB'000	2014 RMB'000
Revenue	3&4	5,063,612	7,348,965
Cost of sales		(4,330,651)	(5,815,389)
Gross profit		732,961	1,533,576
Other revenue	5	76,588	116,554
Other net income/(expenses)	5	30,591	(6,769)
Selling and marketing expenses		(227,880)	(214,190)
Administrative expenses		(851,288)	(572,780)
(Loss)/profit from operations		(239,028)	856,391
Finance costs	6	(809,289)	(560,070)
Share of profits less losses of associates		(11,755)	4,932
(Loss)/profit before taxation		(1,060,072)	301,253
Income tax	7	(36,002)	(149,601)
(Loss)/profit for the period		(1,096,074)	151,652
Attributable to:			
Equity shareholders of the Company		(992,173)	167,863
Non-controlling interests		(103,901)	(16,211)
(Loss)/profit for the period		(1,096,074)	151,652
(Loss)/earnings per share	9		
Basic		(0.29)	0.06
Diluted		(0.29)	0.06

The notes on pages 35 to 60 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 2015 – Unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
(Loss)/profit for the period		(1,096,074)	151,652
Other comprehensive income/(expenses) for the period (after tax and reclassification adjustments):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of: financial statements of overseas subsidiaries		90	(53,481)
Available-for-sales securities: net movement in fair value reserve	8	1,386	38
Other comprehensive (expenses)/income for the period		1,476	(53,443)
Total comprehensive income/(expenses) for the period		(1,094,598)	98,209
Attributable to:			
Equity shareholders of the Company		(990,697)	114,420
Non-controlling interests		(103,901)	(16,211)
Total comprehensive (expenses)/income for the period		(1,094,598)	98,209

The notes on pages 35 to 60 form part of this interim financial report.

(VII) Interim Financial Statements (Unaudited)

Consolidated statement of financial position

At 30 June 2015 – Unaudited
(Expressed in Renminbi)

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Non-current assets			
Fixed assets	10		
– Property, plant and equipment		20,005,574	20,108,485
– Interests in leasehold land held for own use under operating leases		2,439,237	2,450,209
		22,444,811	22,558,694
Intangible assets		518,103	485,308
Goodwill		2,345,857	2,345,857
Other financial assets		582,778	674,793
Interest in associates		324,441	336,197
Deferred tax assets		259,018	244,886
		26,475,008	26,645,735
Current assets			
Inventories	11	1,900,286	2,055,585
Trade and bills receivable	12	2,163,899	2,090,619
Other receivables and prepayments	13	1,587,276	1,617,543
Pledged bank deposits	14	352,629	134,662
Cash and cash equivalents	14	3,515,244	1,151,353
		9,519,334	7,049,762
Current liabilities			
Short-term bank loans	15	3,483,192	1,747,878
Current portion of other borrowings	16	3,795,442	2,496,242
Current portion of long-term bonds	17	4,227,567	–
Trade and bills payable	18	3,454,888	3,540,565
Other payables and accrued expenses	19	2,004,950	1,960,821
Current portion of obligation under finance leases		9,961	10,530
Current taxation		33,764	89,063
		17,009,764	9,845,099
Net current liabilities		(7,490,430)	(2,795,337)
Total assets less current liabilities		18,984,578	23,850,398

The notes on pages 35 to 60 form part of this interim financial report.

(VII) Interim Financial Statements (Unaudited)

Consolidated statement of financial position

At 30 June 2015 – Unaudited
(Expressed in Renminbi)

		At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
	Note		
Non-current liabilities			
Long-term bank loans	15	2,611,350	2,775,390
Other borrowings less current portion	16	5,303	6,364
Long-term bonds less current portion	17	5,462,674	9,123,145
Obligation under finance lease		2,377	9,718
Defined benefit obligations		172,750	173,808
Deferred income		293,177	301,186
Long-term payables		30,075	32,475
Deferred tax liabilities		59,886	61,986
		8,637,592	12,484,072
NET ASSETS		10,346,986	11,366,326
CAPITAL AND RESERVES			
Share capital: nominal value		227,848	227,848
Other statutory capital reserves		4,654,010	4,654,010
Share capital and other statutory capital reserves		4,881,858	4,881,858
Other reserves		4,798,833	5,716,109
Total equity attributable to equity shareholders of the Company		9,680,691	10,597,967
Non-controlling interests		666,295	768,359
TOTAL EQUITY		10,346,986	11,366,326

The notes on pages 35 to 60 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 2015 – Unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Other statutory capital reserves	Statutory reserves	Other reserves	Exchange reserves	Fair value reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	193,198	3,451,085	1,070,552	190,112	120,810	2,945	4,217,250	9,245,952	720,774	9,966,726
Changes in equity for the six months ended 30 June 2014:										
Profit for the period	-	-	-	-	-	-	167,863	167,863	(16,211)	151,652
Other comprehensive (expenses)/income	-	-	-	-	(53,481)	38	-	(53,443)	-	(53,443)
Total comprehensive (expenses)/income for the period	-	-	-	-	(53,481)	38	167,863	114,420	(16,211)	98,209
Increase in non-controlling interests attributable to acquisition of subsidiaries	-	-	-	-	-	-	-	-	121,062	121,062
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	(14,783)	(14,783)
Dividends approved in respect of the previous years	-	-	-	-	-	-	(205,961)	(205,961)	-	(205,961)
Balance at 30 June 2014	193,198	3,451,085	1,070,552	190,112	67,329	2,983	4,179,152	9,154,411	810,842	9,965,253
Balance at 1 January 2015	227,848	4,654,010	1,142,355	190,112	105,231	5,794	4,272,617	10,597,967	768,359	11,366,326
Changes in equity for the six months ended 30 June 2015:										
Loss for the period	-	-	-	-	-	-	(992,173)	(992,173)	(103,901)	(1,096,074)
Other comprehensive income	-	-	-	-	90	1,386	-	1,476	-	1,476
Total comprehensive (expenses)/income for the period	-	-	-	-	90	1,386	(992,173)	(990,697)	(103,901)	(1,094,598)
Increase in non-controlling interests attributable to acquisition of subsidiaries and capital contribution to subsidiaries	-	-	-	-	-	-	-	-	10,000	10,000
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	(8,163)	(8,163)
Equity settled share-based transactions	-	-	-	73,421	-	-	-	73,421	-	73,421
Transfer between reserves	-	-	434	-	-	-	(434)	-	-	-
Balance at 30 June 2015	227,848	4,654,010	1,142,789	263,533	105,321	7,180	3,280,010	9,680,691	666,295	10,346,986

The notes on pages 35 to 60 form part of this interim financial report.

(VII) Interim Financial Statements (Unaudited)

Condensed consolidated cash flow statement

For the six months ended 30 June 2015 – Unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Cash (used in)/generated from operations		(29,518)	973,095
Tax paid		(107,995)	(187,129)
Net cash (used in)/generated from operating activities		(137,513)	785,966
Investing activities			
Payment of purchase of long-term assets		(1,041,910)	(1,204,474)
Acquisition of subsidiaries, net of cash acquired		–	(83,482)
Others		162,713	40,903
Net cash used in investing activities		(879,197)	(1,247,053)
Financing activities			
Proceeds from new loans and borrowings		5,728,987	2,015,000
Proceeds from issue of long-term bonds		2,967,969	2,500,000
Repayment of loans and borrowings		(2,865,394)	(3,210,100)
Repayment of long-term bonds		(2,447,600)	–
Others		(2,862)	32,625
Net cash generated from financing activities		3,381,100	1,337,525
Net increase in cash and cash equivalents		2,364,390	876,438
Cash and cash equivalents at 1 January	14	1,151,353	1,277,369
Effect of foreign exchange rates changes		(499)	714
Cash and cash equivalents at 30 June	14	3,515,244	2,154,521

The notes on pages 35 to 60 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 ("IAS 34") "*Interim financial reporting*", issued by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 28 August 2015.

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 2014, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any 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 2014 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 2014 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 2014 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2015.

The financial statements have been prepared on the basis that the Group and the Company will continue to operate throughout the next twelve months as a going concern. The Group's current liabilities exceeded its current assets by RMB7,490,430,000 as at 30 June 2015. Based on future projections of the Group's cash inflows from operations for the twelve months ending 30 June 2016 and the ability of the Group to obtain continued bank financing to finance its continuing operation, the directors believe that adequate funding is available to fulfill the Group's short-term obligations and capital expenditure requirements. Accordingly, the financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(a) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group and the Company:

- *Annual Improvements to IFRSs 2010-2012 Cycle*
- *Annual Improvements to IFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Changes in accounting estimates

During the six months ended 30 June 2015, based on the actual situation of the Group's production lines and the existing technology level, the Group made a comprehensive tease and review of the whole cement and clinker production lines in order to optimize the unified assets management program. According to the actual status of the cement and clinker production lines of the Group, and refer to the depreciation policies of other comparable cement companies, the Company decided to adjust the estimated useful life of the equipments of the cement and clinker production lines from 12 years to 15 years which adopts from 1 January 2015 onward. The change in accounting estimates has been reviewed by the board of directors on 28 August 2015.

The Group applied prospective application to account for the changes in accounting estimate. After measurement based on the scope of the existing consolidated financial statements, the change in accounting estimate is expected to lower down the depreciation expenses by RMB117,747,000 for the six months ended 30 June 2015.

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

3 SEGMENT REPORTING

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

The Group manages its businesses by geographical areas. 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.

(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 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.

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

3 SEGMENT REPORTING (Continued)

(a) Segment results (Continued)

The measure used for reporting segment profit is “adjusted profit before taxation”. To arrive at adjusted profit before taxation, the Group’s profits/(losses) 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 loans, long-term bonds 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.

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.

	2015					2014				
	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	3,462,226	1,192,277	228,909	180,200	5,063,612	5,112,832	1,691,217	369,446	175,470	7,348,965
Inter-segment revenue	33,763	-	-	-	33,763	60,439	-	-	-	60,439
Reportable segment revenue	3,495,989	1,192,277	228,909	180,200	5,097,375	5,173,271	1,691,217	369,446	175,470	7,409,404
Reportable segment (loss)/profit (adjusted (loss)/profit before taxation)	105,347	(182,386)	(107,502)	14,835	(169,706)	779,243	91,818	(52,414)	424	819,071
Impairment of plant and machinery	55,160	-	-	-	55,160	5	-	-	-	5
As at 30 June/31 December										
Reportable segment assets	13,535,635	10,061,618	6,068,216	966,801	30,632,270	13,384,293	10,207,093	6,004,077	959,195	30,554,658
Reportable segment liabilities	3,961,765	1,864,325	674,031	367,868	6,867,989	3,355,441	1,796,153	762,771	380,335	6,294,700

(VII) Interim Financial Statements (Unaudited)

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	
	2015 RMB'000	2014 RMB'000
Profit		
Reportable segment (loss)/profit	(169,706)	819,071
Elimination of inter-segment loss/(profit)	1,118	(2,913)
Reportable segment (loss)/profit derived from group's external customers	(168,588)	816,158
Share of profits less losses of associates	(11,755)	4,932
Unallocated finance costs	(783,245)	(494,555)
Unallocated head office and corporate expenses	(96,484)	(25,282)
Consolidated (loss)/profit before taxation	(1,060,072)	301,253

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.

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

5 OTHER REVENUE AND OTHER NET EXPENSES

		Six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
<i>Other revenue</i>			
Interest income		9,611	22,659
Government grants		53,108	69,039
Amortisation of deferred income		8,756	8,845
Others		5,113	16,011
		76,588	116,554
<i>Other net income/(expenses)</i>			
Net gain from disposal of fixed assets		97,307	964
Net foreign exchange loss		(1,930)	(4,935)
Penalty expenses		(6,071)	(1,246)
Impairment losses on fixed assets		(55,160)	(5)
Others		(3,555)	(1,547)
		30,591	(6,769)

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

		Six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
Interest on bank loans, other borrowings and long-term bonds		756,907	610,140
Less: capitalised interest expenses	(i)	(29,181)	(90,896)
Net interest expenses		727,726	519,244
Unwinding of discount	(ii)	5,501	5,947
Bank charges		75,393	33,698
Finance charges on obligations under finance lease		669	1,181
		809,289	560,070

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(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 6.35% and 6.92% for the six months ended 30 June 2015 and 2014 respectively.
- (ii) This item represents the unwinding of discount for the following liabilities using the effective interest rate:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Defined benefit plans	3,179	3,515
Long-term payables	2,322	2,432
	5,501	5,947

(b) Other items

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Depreciation	533,325	597,455
Amortisation		
– land lease premium	31,232	28,915
– intangible assets	30,517	33,017

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Current tax expenses		
Provision for the PRC income tax	52,696	174,135
Deferred taxation		
Origination and reversal of temporary differences	(16,694)	(24,534)
	36,002	149,601

- (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 2015 and 2014.
- (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 2015.

8 OTHER COMPREHENSIVE INCOME

Except for the following item, other components of other comprehensive income do not have any significant tax effect for six months ended 30 June 2015 and 2014.

	2015			2014		
	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax benefit RMB'000	Net-of-tax amount RMB'000
Available-for-sale securities: net movement in fair value reserve	1,848	462	1,386	51	13	38

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

9 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the six months ended 30 June 2015 is based on the loss attributable to ordinary equity shareholders of the Company for the period of RMB992,173,000 (corresponding period in 2014: the profit attributable to ordinary entity shareholders of RMB167,863,000) and the weighted average number of ordinary shares of 3,379,140,240 (corresponding period in 2014: 2,815,950,200) in issue during the interim period.

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share for the six months ended 30 June 2015 is based on the loss attributable to ordinary equity shareholders of the company for the period of RMB992,173,000 (corresponding period in 2014: the profit attributable to ordinary entity shareholders of RMB167,863,000) and the weighted average number of ordinary shares of 3,408,793,015 (corresponding period in 2014: 2,815,950,200) after adjusting for the share options granted.

(i) Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2015	2014
Weighted average number of ordinary shares (basic)	3,379,140,240	2,815,950,200
Effect of shares option granted on 27 January 2015 (Note 20(c))	29,652,775	–
Weighted average number of ordinary shares (diluted)	3,408,793,015	2,815,950,200

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 (loss)/earnings per share because they are antidilutive for the six months ended 30 June 2015 and 2014.

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

10 FIXED ASSETS

- (a) During the six months ended 30 June 2015, the addition of fixed assets of the Group amounted to RMB636,974,000 (corresponding period in 2014: RMB1,158,646,000). Items of fixed assets with net book value totalling RMB131,140,000 were disposed of during the six months ended 30 June 2015 (corresponding period in 2014: RMB6,330,000), resulting in a gain on disposal of RMB97,307,000 (corresponding period in 2014: loss on disposal of RMB964,000).
- (b) Certain property, plant and equipment which were obsolete, damaged or that could not generate future economic benefits were provided against for impairment for the period ended 30 June 2015 was RMB55,160,000.

11 INVENTORIES

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Raw materials	486,276	579,454
Semi-finished goods	507,608	516,885
Finished goods	348,997	347,541
Spare parts	557,405	611,705
	<u>1,900,286</u>	<u>2,055,585</u>

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

12 TRADE AND BILLS RECEIVABLE

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Bills receivable	533,359	662,881
Trade debtors	1,701,074	1,488,581
Less: allowance for doubtful debts	(70,534)	(60,843)
	<u>2,163,899</u>	<u>2,090,619</u>

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable, based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 3 months	1,307,110	1,264,347
3 to 6 months	215,244	304,207
6 to 12 months	362,368	263,333
Over 12 months	279,177	258,732
	<u>2,163,899</u>	<u>2,090,619</u>

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.

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

13 OTHER RECEIVABLES AND PREPAYMENTS

		At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
	Note		
Prepayments for raw materials		75,350	75,940
Prepayments for long-lived assets		452,865	557,073
VAT recoverable		519,143	534,216
Amount due from related parties	24(b)	2,036	2,036
Amount due from third parties		349,058	294,499
Loans to third parties		108,552	92,013
Others		80,272	61,766
		1,587,276	1,617,543

14 CASH AND CASH EQUIVALENTS

		At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
	Note		
Cash at bank and in hand		3,515,244	1,151,353
Pledged bank deposits	(i)	352,629	134,662
		3,867,873	1,286,015
Less: Pledged bank deposits		(352,629)	(134,662)
Cash and cash equivalents		3,515,244	1,151,353

Note:

- (i) Cash deposits of RMB352,629,000 as at 30 June 2015 (31 December 2014: RMB134,662,000) were mainly pledged to banks for the performance guarantee in relation to certain sales or purchases contracts and overseas bank loans. The pledged bank deposits will be released upon the expiry of the relevant guarantee.

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

15 BANK LOANS

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Bank loans – Secured	3,344,542	2,213,268
Bank loans – Unsecured	2,750,000	2,310,000
	6,094,542	4,523,268

Bank loans 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, except for bank loans of RMB923,824,000 (31 December 2014: RMB308,503,000) is guaranteed by the pledged bank deposits and bills receivable.

The bank loans were repayable as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within one year on demand	3,483,192	1,747,878
After one year but within two years	2,002,200	1,522,190
After two years but within five years	609,150	1,206,000
After five years	–	47,200
	2,611,350	2,775,390
	6,094,542	4,523,268

Some of the Group's banking facilities are subject to the fulfilment of certain covenants relating to certain financial KPI ratios of the Group. As at 30 June 2015, certain financial KPI ratios of the Group breach the limits set out in the covenants of the loan agreement with KDB Asia Limited. The relevant outstanding loan balance of USD100,000,000 (RMB611,360,000 equivalent) as at 30 June 2015 has been reclassified to short-term bank loans.

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

16 OTHER BORROWINGS

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

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Loan from government – Unsecured	(i)	6,364	7,273
Short-term financing bill	(ii)	3,794,381	2,495,333
		3,800,745	2,502,606

Notes:

- (i) The government loan was received by Liaoning Shanshui Gongyuan Cement Co., Ltd. for constructing an environmental friendly production line. The loan is unsecured, bears interest at one-year PRC deposit interest rate plus 0.3% and is repayable annually from 2012 to 2022.
- (ii) All of the short-term financing bills are issued by Shandong Shanshui Cement Group Co., Ltd. ("Shandong Shanshui") in the PRC inter-bank debenture market. As at 30 June 2015, the details of short-term financing bills are listed below:

Issuer	Principal (RMB'000)	Issue date	Maturity date	Interest rates (per annum)	Interest payment term
Shandong Shanshui	RMB1,000,000	02/12/2014	30/08/2015	5.3%	settled at the maturity date
Shandong Shanshui	RMB2,000,000	14/04/2015	22/11/2015	5.3%	settled at the maturity date
Shandong Shanshui	RMB800,000	14/05/2015	12/02/2016	4.5%	settled at the maturity date

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

16 OTHER BORROWINGS *(Continued)*

The other borrowings were repayable as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within one year on demand	<u>3,795,442</u>	2,496,242
After one year but within two years	1,061	909
After two years but within five years	3,182	2,727
After five years	<u>1,060</u>	2,728
	<u>5,303</u>	6,364
	<u>3,800,745</u>	2,502,606

17 LONG-TERM BONDS

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Medium-term notes and other note	4,284,267	4,278,019
Less: Current portion of medium-term notes	(1,797,000)	–
Senior notes	5,405,974	4,845,126
Less: Current portion of senior notes	(2,430,567)	–
Long-term bonds, less current portion	<u>5,462,674</u>	9,123,145

(i)

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

17 LONG-TERM BONDS (Continued)

Note:

- (i) All of the long-term bonds are carried at amortised cost. The details of long-term bonds are listed below:

Issuer	Principal (RMB'000/USD'000)	Issue date	Maturity date	Interest rates	Interest payment term
a) Medium-term notes issued in the PRC inter-bank debenture market					
Shandong Shanshui	RMB1,800,000	18/01/2013	21/01/2016	5.44%	annually
Shandong Shanshui	RMB1,000,000	27/02/2014	21/01/2017	6.10%	annually
Shandong Shanshui	RMB1,200,000	09/05/2014	12/05/2017	6.20%	annually
b) Senior notes issued in the Singapore/Hong Kong exchange market.					
The Company (*)	USD400,000	25/05/2011	25/05/2016	8.50%	semi-annually
The Company	USD500,000	11/03/2015	10/03/2020	7.50%	semi-annually
c) Other note					
The Company	RMB300,000	31/03/2014	31/03/2017	6.60%	annually

* As the Company had breached the change of control covenants of this senior note, the Company commenced an offer to purchase for cash of the outstanding principals of the senior note on 8 May 2015. The Company has purchased back USD371,121,000 of the outstanding principal of the senior note by cash on 6 July 2015.

18 TRADE AND BILLS PAYABLE

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Trade payables	3,353,833	3,539,553
Bills payable	101,055	1,012
	3,454,888	3,540,565

As at 30 June 2015 and 31 December 2014, 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.

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

19 OTHER PAYABLES AND ACCRUED EXPENSES

		At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
	Note		
Customer deposits and receipts in advance		602,437	415,339
Accrued payroll and welfare		87,455	135,152
Taxes payable other than income tax		156,211	151,916
Staff compensation and termination provisions		162,103	162,326
Amount due to related parties	24(b)	15,505	21,185
Payable to third parties of acquired subsidiaries		190,707	242,677
Acquisition consideration payable		194,691	194,691
Current portion of long-term payables		56,402	77,295
Accrued expenses and other payables		539,439	560,240
		<u>2,004,950</u>	<u>1,960,821</u>

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 2015 RMB'000	2014 RMB'000
Final dividend in respect of the previous financial year, approved during the interim period	—	205,961
Final dividend in respect of the previous financial year, paid during the interim period	—	—

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

20 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital

		2015		2014	
	Note	Number of shares	RMB equivalent RMB'000	Number of shares	RMB equivalent RMB'000
Authorised:					
Ordinary shares of the Company of USD0.01 each		<u>10,000,000,000</u>	<u>701,472</u>	<u>10,000,000,000</u>	<u>701,472</u>
Ordinary shares of the Company, issued and fully paid:					
At 1 January		<u>3,379,140,240</u>	<u>227,848</u>	2,815,950,200	193,198
Issuance of new shares	(i)	<u>–</u>	<u>–</u>	<u>563,190,040</u>	<u>34,650</u>
At 30 June/31 December		<u>3,379,140,240</u>	<u>227,848</u>	3,379,140,240	227,848

Note:

- (i) Pursuant to the written resolutions of the Board of the Company passed on 27 October 2014, the Company allotted and issued a total of 563,190,040 ordinary shares of USD0.01 each to China National Building Material Company Limited (中國建材股份有限公司). The proceeds were fully received on 3 November 2014. The Company received a statement of claim in respect of this issuance, for details please refer to note 23.

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

20 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Equity settled share-based transactions

Pursuant to the written resolutions of the Company's shareholders passed on 14 June 2008, the Company has adopted the share option scheme ("the Share Option Scheme") whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, and any customer or supplier or any persons who has contributed or will contribute to the Group, to take up options at HKD1 consideration to subscribe for shares of the Company.

Pursuant to the written resolutions of the Company's board of director passed on 27 January 2015, the director of the Company has granted certain directors and employees of the Group to take up options to subscribe for 207,300,000 ordinary shares of the Company under the Share Option Scheme. The exercise price of these options is HKD3.68, being the weighted average closing price of the Company's ordinary shares immediately before the grant. These share options were vested after 6 months from the date of grant and are exercisable within a period of 10 years from the date of grant.

(i) *The terms and conditions of the grants are as follows:*

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors and employees:			
– on 25 May 2011	7,300,000	Immediately after the date of grant	10 years
– on 27 January 2015 (*)	<u>207,300,000</u>	Six months after the date of grant	10 years
Total share options granted	<u>214,600,000</u>		

* The options granted by the Company on 27 January 2015 to certain directors and employees was 207,300,000 shares, among which there are 43,600,000 shares granted to Mr. Zhang Caikui and Mr. Zhang Bin. According to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Share Option Scheme of the Company, the options granted to Mr. Zhang Caikui and Mr. Zhang Bin should be approved by the Extraordinary General Meeting of the Company. Till the date of the report, the Extraordinary General Meeting has not been held. All the options granted on 27 January 2015 are subject to the legal proceedings set out in note 23.

No options were exercised during the six months ended 30 June 2015.

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

20 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Equity settled share-based transactions *(Continued)*

(ii) Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

<i>Fair value of share options and assumptions</i>	At 30 June 2015
Fair value at measurement date	HKD0.68
Share price	HKD3.68
Exercise price	HKD3.68
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	33.58%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	10 years
Expected dividends	3.35%
Risk-free interest rate (based on Hong Kong Exchange Fund Note)	1.098%

The expected volatility is based on the volatility of share prices of the Company, adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

As at 30 June 2015, the Group only has available-for-sale securities which was measured at fair value at the end of the reporting period under Level 1 of the fair value hierarchy defined in IFRS 13.

		Fair value measurements as at 30 June 2015 using			
		Fair value at 30 June 2015 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Assets					
Available-for-sale securities:					
– Listed		10,573	10,573	–	–

		Fair value measurements as at 31 December 2014 using			
		Fair value at 31 December 2014 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Assets					
Available-for-sale securities:					
– Listed		8,725	8,725	–	–

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

During the six months ended 30 June 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (corresponding period in 2014: 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 2015 and 31 December 2014 except for the following senior notes, for which its carrying amounts and fair values are disclosed below:

	At 30 June 2015		At 31 December 2014	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Senior notes	3,045,459	2,581,474	2,425,074	2,576,099

22 COMMITMENTS

(a) Capital commitments

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Authorised and contracted for		
– the acquisitions of fixed assets	435,562	594,894
Authorised but not contracted for		
– the acquisitions of fixed assets	393,349	517,243
	828,911	1,112,137

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

22 COMMITMENTS *(Continued)*

(b) Operating lease commitments

At 30 June 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 1 year	16,946	18,437
After 1 year but within 2 years	16,933	16,798
After 2 years but within 5 years	50,560	50,267
After 5 years	82,947	90,433
	<u>167,386</u>	<u>175,935</u>

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.

23 CONTINGENT LIABILITIES AND OTHER EVENTS

- (a) On 23 January 2015, the Company received a statement of claim, which required to suspend the subscription agreement between the Company and the China National Building Material Company Limited ("CNBM") on the issuance of 563,190,040 ordinary shares to CNBM on 27 October 2014. The status of the proceedings is in the preliminary stage and the Directors of the Company are of the view that the ultimate outcome of this claim cannot be reliably estimated at this stage and consider that no provision for this claim is needed accordingly. In addition, the Directors of the Company are also of the view that the subscription agreement and the issuance are valid and binding among the parties thereto.
- (b) Under the Share Option Scheme, the Board granted a total of 207,300,000 new shares to certain directors and employees of the Company and its subsidiaries on 27 January 2015 ("the Options"). On 11 February 2015, certain individual minority shareholders of China Shanshui Investment Company Limited ("China Shanshui Investment") have issued an originating summons for leave to be granted by the High Court of Hong Kong to apply for an injunction for an order to restrain the Company from (i) issuing any new shares pursuant to the exercise of the Options; and (ii) holding the Extraordinary General Meeting to approve the grant of options to Mr. Zhang Caikui and Mr. Zhang Bin ("the Injunction Application"). On 24 July 2015, the Company received a letter from the High Court informing that the Injunction Application will be dismissed.

(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

		Six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
Recurring transactions			
Sales to:			
– Dong'e Shanshui Dongchang Cement Co., Ltd. ("Dong'e Shanshui")	(i)	2,646	2,901
– Dalian Cement Group Co., Ltd. ("Dashui Group")	(ii)	4,283	–
		<u>6,929</u>	<u>2,901</u>
Purchase from:			
– Dong'e Shanshui	(i)	–	2,044
Non-recurring transactions			
Loans from related parties and related interest expenses:			
– Jinan Shanshui Lixin Investment Co., Ltd. ("Jinan Lixin")		–	318
Loans to an associate and related interest income:			
– Dong'e Shanshui	(iii)	1,843	2,408
Repayment of loans to an associate and related interests by:			
– Dong'e Shanshui		11,878	909
Repayment of loans from related parties and related interests to:			
– Jinan Lixin		–	23,318

Notes:

- (i) These represent sales of coal, clinker and equipment 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 represent sales of clinker to Dashui Group. 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.
- (iii) These relate to interests to Dong'e Shanshui, the associate of the Group.

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Accounts receivables due from:		
– Dong'e Shanshui	864	–
Advances to suppliers:		
– Dong'e Shanshui	10	10
Advances to customers:		
Dashui Group	–	5,008
– Dong'e Shanshui	–	672
	–	5,680
Other receivables due from:		
– China Shanshui Investment	685	685
– Jinan Shanshui Group Property Development Co., Ltd.	1,341	1,341
	2,026	2,026
Other financial assets due from		
– Dong'e Shanshui	51,489	61,524
Other payables due to:		
– Jinan Shanshui Lixin Investment Development Co., Ltd.	15,475	15,475
– Others	30	30
	15,505	15,505

(VII) Interim Financial Statements (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

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	
	2015	2014
	RMB'000	RMB'000
Salary, allowances and other benefits	2,835	1,703
Contribution to defined contribution retirement plans	171	98
Share-based payments	21,215	—
	24,221	1,801

By Order of the Board
China Shanshui Cement Group Limited
ZHANG Bin
Chairman

Hong Kong, 28 August 2015

At the date of this announcement, our board comprises the following:

Executive Directors

ZHANG Bin (*Chairman*)

ZHANG Caikui

LI Cheung Hung

Non-executive Directors

CHANG Zhangli

LEE Kuan-chun (also known as Champion LEE)

Independent Non-executive Directors

WU Xiaoyun

ZENG Xuemin

SHEN Bing