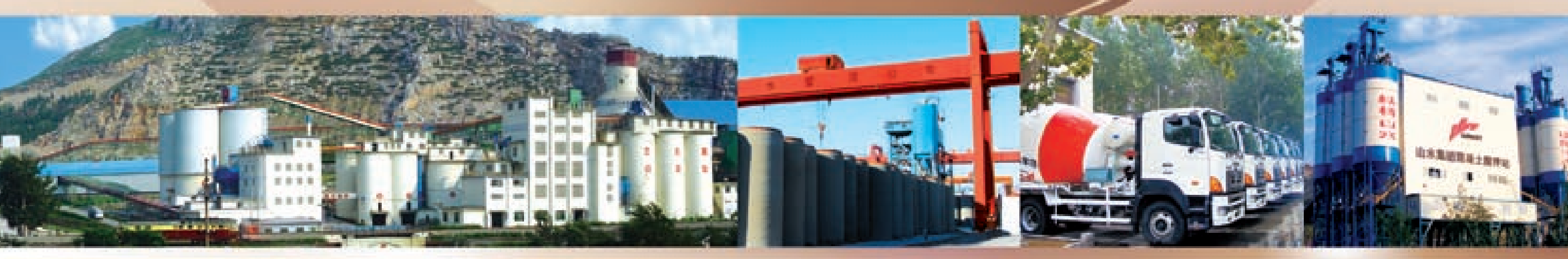
SUNNSY

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 691

2011 Interim Report



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Definitions

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

"Company" or "Shanshui Cement"	China Shanshui Cement Group Limited
"Group" or "Shanshui Group"	the Company and its subsidiaries
"Reporting Period"	1 January 2011 to 30 June 2011
"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 areas covered by the Company's business, including Hebei Province, Tianjin etc.
"Northeast Region"	Liaoning Province and the areas covered by the Company's business, including Eastern part of Inner Mongolia etc.
"Shanxi Region"	Shanxi Province and the areas covered by the Company's business, including Shaanxi Province etc.
"National Bureau of Statistics of China"	The National Bureau of Statistics of the People's Republic of China
"MIIT"	the Ministry of Industry and Information Technology of the PRC

1. BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Homer SUN
JIAO Shuge (alias JIAO Zhen)

Independent Non-Executive Directors

SUN Jianguo
WANG Yanmou
WANG Jian

Audit Committee

WANG Yanmou *(Chairman)*
SUN Jianguo
WANG Jian

Remuneration Committee

SUN Jianguo *(Chairman)*
WANG Yanmou
WANG Jian

Executive Committee

ZHANG Caikui *(Chairman)*
ZHANG Bin
DONG Chengtian
YU Yuchuan

Nomination Committee

ZHANG Caikui *(Chairman)*
WANG Yanmou
SUN Jianguo

(I) Company Profile

2. COMPANY PROFILE

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

(II) Key Data

1. KEY FINANCIAL DATA

(Unit: RMB'000)

	January to June 2011	January to June 2010
Revenue	**7,832,210**	4,723,654
Gross profit	**2,469,518**	966,997
Gross profit margin	**31.5%**	20.5%
Profit from operations	**1,982,733**	714,316
Profit margin from operations	**25.3%**	15.1%
EBITDA	**2,410,285**	1,079,251
EBITDA margin	**30.8%**	22.8%
Profit attributable to equity shareholders of the Company	**1,237,021**	403,656
Basic earnings per share (RMB)	**0.44**	0.14
Net cash generated from operating activities	**1,826,931**	379,443

	30 June 2011	31 December 2010
Total assets	**23,868,501**	18,950,326
Total liabilities	**16,381,468**	12,801,321
Equity attributable to equity shareholders of the Company	**6,937,961**	5,687,525
Net gearing ratio	**44.3%**	50.4%

2. KEY BUSINESS DATA

	January to June 2011	January to June 2010
Sales volume of cement ('000 tonnes)	**22,314**	15,418
Sales volume of clinker ('000 tonnes)	**3,586**	5,562
Sales volume of concrete ('000 m^3)	**440**	358
Unit selling price of cement (RMB/tonne)	**289.5**	220.9
Unit selling price of clinker (RMB/tonne)	**266.7**	186.7
Unit selling price of concrete (RMB/m^3)	**251.9**	239.6

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

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

As of 30 June 2011, our authorised share capital was US$100,000,000 divided into 10,000,000,000 Shares of par value of US$0.01 each.

As of 31 December 2010, the Company has issued a total of 2,815,950,200 Shares.

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

2. SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As of 30 June 2011, 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 were recorded in the register required to be kept under section 336 of the SFO, were as follows:

Name of shareholder	Number of Ordinary Shares interested[1]	Nature of interests	Percentage of Shares in issue
China Shanshui Investment Company Limited	847,908,316(L)[2]	Beneficial owner	30.11%
Hillhouse Capital Management, Ltd.[3]	242,759,000(L)	Investment manager	8.62%
Gaoling Fund, L.P.[4]	242,305,000(L)	Beneficial owner	8.60%
CCBI Cement Private Equity Limited[5]	194,000,000(L)	Nominee for another person	6.89%
CCB International Asset Management Limited[5]	195,786,084(L)	Investment manager	6.95%
CCB International Assets Management (Cayman) Limited[5]	195,786,084(L)	Interest in controlled corporations	6.95%
CCB International (Holdings) Limited[5]	195,786,084(L)	Beneficial owner	6.95%
CCB Financial Holdings Limited[5]	195,786,084(L)	Interest in controlled corporations	6.95%
CCB International Group Holdings Limited[5]	195,786,084(L)	Interest in controlled corporations	6.95%
China Construction Bank Corporation[5]	195,786,084(L)	Interest in controlled corporations	6.95%
Central Huijin Investment Limited[5]	195,786,084(L)	Interest in controlled corporations	6.95%
JPMorgan Chase & Co.[6]	140,918,189(L) 10,416,500(S) 119,109,689(P)	Interest in controlled corporations	5.00% 0.37% 4.23%

Notes:

(1) The letter "L" denotes a long position in such Shares, the letter "S" denotes a short position in such Shares and the letter "P" denotes Shares available for lending.

(2) On 28 September 2009, China Shanshui Investment Company Limited ("Shanshui Investment") and Wing Lung Bank Limited ("Wing Lung Bank") entered into a two-year-term loan agreement, pursuant to which, Shanshui Investment pledged 169,000,000 Shares of the Company to Wing Lung Bank. In compliance with all terms of the loan agreement, Shanshui Investment is still entitled to all rights attaching to such Shares.

On 30 September 2009, Shanshui Investment and CCBI Cement Private Equity Limited ("CCBI Cement") entered into a two-year-term loan agreement, pursuant to which, Shanshui Investment pledged 194,000,000 Shares of the Company to CCBI Cement. In compliance with all terms of the loan agreement, Shanshui Investment is still entitled to all rights attaching to such Shares.

(3) As stated in the form of disclosure of shareholder's interests submitted by Hillhouse Capital Management, Ltd on 6 April 2011(the date of the relevant event set out in the form was 31 March 2011), these Shares were held via Hillhouse Capital Management, Ltd and its affiliates.

(4) As stated in the form of disclosure of shareholder's interests submitted by Gaoling Fund, L.P. on 6 April 2011(the date of the relevant event set out in the form was 31 March 2011), Gaoling Fund, L.P. is the beneficial owner of these Shares.

(5) As stated in the form of disclosure of shareholder's interests submitted by Central Huijin Investment Limited on 30 May 2011(the date of the relevant event set out in the form was 25 May 2011), these shares were held by CCBI Cement Private Equity Limited ("CCBI Cement") as nominee for another person, and CCBI Cement was in turn held directly or indirectly by CCB International Asset Management Limited, CCB International Assets Management (Cayman) Limited, CCB International (Holdings) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Limited (the "Companies"). Each of the Companies is deemed to be interested in the shares held by CCBI Cement.

(6) As stated in the form of disclosure of shareholder's interests submitted by JPMorgan Chase & Co. on 24 June 2011 (the date of the relevant event set out in the form was 21 June 2011), these Shares were held via JPMorgan Chase & Co. and its affiliates.

Save as disclosed above, and so far as the Directors are aware, as of 30 June 2011, 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. During the Reporting Period, the options for subscription of 7,300,000 Shares were granted by the Company on 25 May 2011, and the closing price of the Shares at the date of grant was HK$7.83 per Share. Details of the options are set out as follows:

Type of Grantee	Date of grant during the Reporting Period	Granted during the Reporting Period	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
Employees	25 May 2011	Options for subscription of 2,300,000 Shares	Nil	HK$7.90	Nil	Nil	Nil	Nil	Options for subscription of 2,300,000 Shares
	Total number of options granted	Options for subscription of 7,300,000 Shares			Nil	Nil	Nil	Nil	Options for subscription of 7,300,000 Shares

Summary of the principal terms of the Share Option Scheme

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

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 options that may be granted under the Share Option Scheme shall involve a total number of 7,300,000 Shares, representing approximately 0.26% of our share capital in issue as at the date of this report.

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

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

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

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

As of 30 June 2011, 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 of Hong Kong Limited ("Stock Exchange"), pursuant to Divisions 7 and 8 and section 352 of Part XV 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") set out in Appendix 10 of the Listing Rules of the Stock Exchange ("Listing Rules"), were as follows:

Name of Director	The Company/ Name of Relevant Organisation	Class of Shares	Number of shares held: Corporate interests	Total	Percentage of total share capital in issue as of 30 June 2011
Zhang Caikui	The Company	Ordinary share	847,908,316(L)[1]	847,908,316	30.11%
Zhang Bin	The Company	Share options	5,000,000(L)[2]	5,000,000	0.18%

Notes:

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

As mentioned in the section "Shareholdings of Substantial Shareholders" above, included in these 847,908,316 Shares are 169,000,000 Shares and 194,000,000 Shares pledged to Wing Lung Bank and CCBI Cement respectively.

Pursuant to a loan agreement entered into between Shanshui Investment and CCBI Cement on 30 September 2009, CCBI Cement was granted a purchase rights by Shanshui Investment, pursuant to the full exercise of which CCBI Cement would obtain 23,828,084 Shares of the Company from Shanshui Investment. During the Reporting Period, CCBI Cement exercised all of its purchase right.

(2) For details, please refer to Section 4 "Share Option Scheme" of this Chapter.

Save as disclosed above, as of 30 June 2011, none of the Directors or Chief Executive of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its Associated Corporations, which would be required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Division 7 and 8 of Part XV of the SFO, or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange, pursuant to the Model Code contained in the Listing Rules.

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

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

The Board Meeting of the Company, which was held on 25 March 2011, approved the re-appointment of Mr. ZHANG Caikui, Mr. DONG Chengtian and Mr. YU Yuchuan as the Executive Directors of the Company for a term of office of three years commencing from 1 July 2011; Mr. Homer SUN and Mr. JIAO Shuge as the Non-Executive Directors; Mr. SUN Jianguo, Mr. WANG Yanmou and Mr. WANG Jian as the Independent Non-Executive Directors of the Company for an initial term of office of one year commencing from 1 July 2011, subject to a renewal of up to three years thereafter.

Pursuant to Clause 16.2 of the articles of association, Mr. ZHANG Bin's term of office as director expired at the 2010 annual general meeting held on 20 May 2011, and Mr. Zhang has been re-elected as director of the Company thereat. Pursuant to Clause 16.18 of the articles of association, Mr. DONG Chengtian, Mr. WANG Yanmou and Mr. WANG Jian retired as directors by rotation at the 2010 annual general meeting, and all of them have been re-elected as directors of the Company thereat.

2. CODE ON CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Board of the Company was not aware of any information which would indicate that the Company did not comply with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules of the Stock Exchange.

3. MODEL CODE

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

4. EMPLOYEES AND THEIR REMUNERATION

As of 30 June 2011, the Group had a total of 16,157 employees. The aggregate remuneration of the employees for the Reporting Period was RMB302.3 million.

Management Discussion and Analysis

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW

Since the beginning of 2011, with the expectation of scientific development as the theme and accelerating the transformation of the mode of economic development as the main line, the Chinese government has implemented proactive fiscal policy and prudent monetary policy, continued to strengthen and improve macro-economic adjustment, speeded up strategic adjustment of the economic structure and devoted great efforts to improve the people's well-being. As a result, the performance of the national economy in general is encouraging. In the first half of 2011, China's GDP reached RMB20,445.9 billion, representing a growth of 9.6% over the corresponding period of the previous year. Fixed assets investment of the country was RMB12, 456.7 billion, representing a growth of 25.6% over the corresponding period of the previous year. Investment in real estate development reached RMB2,625.0 billion, representing an increase of 32.9% over the corresponding period of the previous year. (Source: National Bureau of Statistics of China)

China's economy has maintained a steady and rapid growth. The Central government has increased investments, especially in the first year of the Twelfth Five-year Plan period, in sectors relating to the people's well-being, such as acceleration of the urbanization process, construction of new villages, implementing the policy of "Bring Construction Materials to Rural Areas", and the construction of affordable housing projects for low-income population across the country commencing from 2011,with a view to achieve the goal of construction of 10 million units of new affordable housing for low-income population and units transformed from shanty areas, as well as the full-scale investments in water conservancy facilities which was initiated by CCP Central Document No.1. All these factors will continue to boost the demand for cement.

Among the beneficial policies, the most favorable one to the big cement Groups is the "Notice on Several Opinions on Curbing Overcapacity and Redundant Construction in Some Industries and Guiding the Sound Development of Industries" (關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知)(No.38 document) promulgated by the State Council of the PRC in September 2009, pursuant to which the Chinese government has not fully delegated its examination and approval authority of cement projects to local governments except Xinjiang.

According to the relevant information available, the total investment in China's cement industry from January to July 2011 amounted to RMB65.4 billion, representing a decrease of 21.9% over the corresponding period of the previous year. Meanwhile, the "Entry Requirements for Cement Industry" has come into effect commencing from 1 January 2011, which will further restrict additional capacity of cement enterprises. (Source: Ministry of Industry and Information Technology of the PRC)

During the first half of 2011, cement demand grew substantially and further improvement was noted in the industry performance. Total cement output throughout the country reached 951 million tones during January to June 2011, representing a year-on-year increase of 19.6%. For the first five months, the cement industry realized sales of RMB324.5 billion,representing a year-on-year increase of 48%,with a total profit of RMB35.2 billion, representing a year-on-year increase of 1.7 times (Source: Ministry of Industry and Information Technology of the PRC).

2. COMPANY'S BUSINESS REVIEW

In the first half of 2011, the Group continue to improve its corporate strategic layout through green field development and acquisition in accordance with its policy of "putting equal emphasis on development and management". At the same time, the Group fully implemented total budget management, made efforts to reinforce internal control and carried out its marketing strategy of "clinker for profit and cement for market expansion", and achieved good operating results.

During the Reporting Period, the following projects had commenced operation:

	New clinker capacity (10 thousands Tones)	New cement capacity (10 thousands Tones)
New production lines:		
4500t/d clinker production line project (equipped with 9MW residual heat generation project) and 1 million tonnes cement grinding production line of Weishan Shanshui Cement Co., Ltd.	144	100
1 million tonnes of cement grinding production line of Shandong Shanshui Cement Group Company Limited ("Shandong Shanshui"), Shanghe Branch	–	100
800,000 tonnes cement grinding production line of Balin Youqi Shanshui Cement Co., Ltd.	–	80
Acquired production line:		
600,000 tonnes cement grinding production line of Inner Mongolia Lande Cement Co., Ltd. ("Lande Cement")	–	60
Total new capacity	**144**	**340**

As at 30 June 2011, the Group had a total production capacity 69.94 million tonnes of cement and 32.39 million tonnes of clinker. The Group will further improve the market layout, explore the room for expansion and enhance the sustained profitability in the future.

During the Reporting Period, the Group's total sales of cement and clinker were 25.9 million tonnes, representing a year-on-year increase of 23.5%; sales revenue was RMB7,832 million, representing a year-on-year growth of 65.8%; and the profit for the period was RMB1,275 million, representing a year-on-year growth of 210.0%.

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

(I) Business analysis

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

(unit: RMB'000)

	January-June 2011		January-June 2010		**Sales**
Product	**Sales revenue**	**Sales proportion**	Sales revenue	Sales Proportion	**revenue change**
Cement	**6,460,786**	**82.5%**	3,406,381	72.1%	89.7%
Clinker	**956,473**	**12.2%**	1,038,669	22.0%	-7.9%
Concrete	**110,741**	**1.4%**	85,746	1.8%	29.2%
Others	**304,210**	**3.9%**	192,858	4.1%	57.7%
Total	**7,832,210**	**100.0%**	4,723,654	100.0%	65.8%

During the Reporting Period, the Group's sales revenue increased by 65.8% to RMB7,832 million, principally attributable to an increase in cement sales volume and selling prices. With regards to revenue breakdown by products, cement revenue amounted to RMB6,461 million, representing a year-on-year growth of 89.7%, and clinker revenue amounted to RMB956 million, representing a year-on-year decline of 7.9%. The revenue from concrete amounted to RMB111 million, representing a year-on-year growth of 29.2%.

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 unit selling price period (RMB/tonne)**	The corresponding period of last year unit selling price (RMB/tonne)	**Unit selling price change**
Cement	**22,314**	15,418	44.7%	**289.5**	220.9	31.1%
Clinker	**3,586**	5,562	-35.5%	**266.7**	186.7	42.8%
	('000 m³)	('000 m³)		**(RMB/m³)**	(RMB/m³)	
Concrete	**440**	358	22.9%	**251.9**	239.6	5.2%

During the Reporting Period, thanks to the good market layout and the continuous expansion of the production capacity of the Company, the State's control over the increase of cement capacity and the phasing-out of obsolete cement capacity, and the sustained demand cement from infrastructure construction projects and the property development industry, the sales volume of cement of the Company increased to 22.31 million tonnes, representing a year-on-year growth of 44.7%, while that of clinker decreased to 3.59 million tonnes, representing a year-on-year decline of 35.5%. The unit selling price of cement increased by 31.1% to RMB289.5 per tonne, while the unit selling price of clinker increased by 42.8% to RMB266.7 per tonne.

(2) Comparison of unit selling price of cement between Shandong, Northwestern and Shanxi 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	**300.2**	220.5	36.1%
Northeastern Region	**256.8**	223.1	15.1%
Shanxi Region	**298.4**	–	–

Note: As the Company acquired the cement business in Shanxi Region from Yulin Yatai in September 2010, the unit selling price for the first half of 2010 was unavailable.

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 Shandong, Northwestern and Shanxi regions (continued)

During the Reporting Period, the average unit selling price of cement of our branches in Shandong Region was RMB300.2 per tonne, representing a year-on-year increase of 36.1%, that in Northeastern Region also improved significantly to RMB256.8 per tonne, representing a year-on-year increase of 15.1%, and that in Shanxi Region was RMB298.4 per tonne. With the Company's increased influence on Northeastern Region, it is expected that our cement price in Northeast Region will be on an upward trend in the future.

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

	January-June 2011		January-June 2010		
	Sales volume ('000 tonnes)	**Sales proportion**	Sales volume ('000 tonnes)	Sales proportion	**Change in sales volume**
High grade cement	**13,271**	**59.5%**	7,915	51.3%	67.7%
Low grade cement	**9,043**	**40.5%**	7,503	48.7%	20.5%

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 increased by 67.7% compared with the corresponding period of last year. This was mainly attributable to the sustainable demand for high quality cement from the government's infrastructure projects and real estate projects, as well as the good market layout of the Group.

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 2011 Sales revenue	January-June 2011 Sales proportion	January-June 2010 Sales revenue	January-June 2010 Sales proportion	Sales revenue change
Shandong Region	**6,253,033**	**79.8%**	3,993,146	84.5%	56.6%
Northeastern Region	**1,551,370**	**19.8%**	730,508	15.5%	112.4%
Shanxi Region	**27,807**	**0.4%**	–	–	–
Total	**7,832,210**	**100%**	4,723,654	100.0%	65.8%

Our cement production branches in Shandong Region and Northeastern Region performed well in the first half of 2011, with all key economic indicators showing significant improvement. Among such branches, those in Shandong Region recorded sales revenue of RMB6,253 million, accounting for 79.8% of the Group's total sales revenue in the first half of 2011, representing a year-on-year increase of 56.6%. Our branches in Northeastern Region reported sales revenue of RMB1,551 million, accounting for 19.8% of the Group's total sales revenue in the first half of 2011 and representing a year-on-year growth of 112.4%.

(II) Profit analysis

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

(Unit: RMB'000)

	January-June 2011	January-June 2010	Y-O-Y changes
Revenue	**7,832,210**	4,723,654	65.8%
Gross profit	**2,469,518**	966,997	155.4%
EBITDA	**2,410,285**	1,079,251	123.3%
Profit from operations	**1,982,733**	714,316	177.6%
Profit before taxation	**1,751,855**	543,620	222.3%
Profit for the period	**1,275,005**	411,281	210.0%
Profit attributable to equity shareholders of the Company	**1,237,021**	403,656	206.5%

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

(II) Profit analysis *(continued)*

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

During the Reporting Period, the Group recorded sales revenue of RMB7,832 million, representing a year-on-year increase of 65.8%; profit from operations was RMB1,983 million, representing a year-on-year increase of 177.6%; profit for the period was RMB1,275 million, representing a year-on year increase of 210.0%; profit attributable to equity shareholders of the Company was RMB1,237 million, representing a year-on-year increase of 206.5%. The increase in profit was mainly due to higher selling price and sales volume and the Company's effective control over costs and expenses incurred during the period.

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

(Unit: RMB'000)

	January-June 2011		January-June 2010		**Change of**
Cost of sales	**Amount**	**Proportion to revenue**	Amount	Proportion to revenue	**proportion to revenue**
Raw materials	**1,488,454**	**19.0%**	849,473	18.0%	1.0 P.Pt.
Coal	**1,886,104**	**24.1%**	1,425,882	30.2%	-6.1 P.Pt.
Power	**808,781**	**10.3%**	645,835	13.7%	-3.4 P.Pt.
Depreciation and amortisation	**384,706**	**4.9%**	324,176	6.9%	-2.0 P.Pt.
Others	**794,647**	**10.2%**	511,291	10.8%	-0.6 P.Pt.
Total cost of sales	**5,362,692**	**68.5%**	3,756,657	79.6%	-11.1 P.Pt.

During the Reporting Period, benefited from substantial growth in sales revenue and normative procurement of raw materials, the proportion of the Group's total cost of sales to revenue was 68.5%, representing a year-on-year decrease of 11.1 percentage points. Of which, the proportion of raw materials to revenue was 19.0%, a increase of 1.0 percentage points compared with same period last year. The proportion of coal costs to revenue was 24.1%, representing a year-on-year decrease of 6.1 percentage points. The Group's average unit purchase price of coal in the first half of 2011 increased by 8.2% to RMB731.9/tonne. As for cost reduction, output of residual heat power generation increased by 21.9% to 516 million KWH in the first half of 2011, thus reducing the cost of clinker by approximately RMB192.75 million.

3. COMPANY'S FINANCIAL REVIEW

(I) Expenses during the period

(Unit: RMB'000)

	January-June 2011 Amount	January-June 2011 Proportion to sales revenue	January-June 2010 Amount	January-June 2010 Proportion to sales revenue	Proportion to sales revenue changes
Sales and marketing expenses	**121,623**	**1.6%**	86,664	1.8%	-0.2 P.Pt.
Administrative expenses	**375,900**	**4.8%**	234,320	5.0%	-0.2 P.Pt.
Finance costs	**234,178**	**3.0%**	170,651	3.6%	-0.6 P.Pt.
Total	**731,701**	**9.4%**	491,635	10.4%	-1.0 P.Pt.

During the Reporting Period, all expenses of the Group were controlled effectively. The proportion of sales and marketing expenses to sales revenue declined compared with the corresponding period of 2010, as a result of the substantial increase in overall sales volumes. The proportion of administrative expenses to sales revenue declined by 0.2 percentage points as compared with the previous year, as a result of further implementation of budget management initiatives by the Group. In addition, the proportion of the Group's finance costs to sales revenue declined.

(II) Changes in balance sheet items

(Unit: RMB'000)

	As at 30 June 2011	As at 31 December 2010	Change
Non-current assets	**15,204,760**	14,722,366	3.3%
Current assets	**8,663,741**	4,227,960	104.9%
Total assets	**23,868,501**	18,950,326	26.0%
Current liabilities	**7,450,999**	6,481,641	15.0%
Non-current liabilities	**8,930,469**	6,319,680	41.3%
Total liabilities	**16,381,468**	12,801,321	28.0%
Minority interest	**549,072**	461,480	19.0%
Equity attributable to equity shareholders of the Company	**6,937,961**	5,687,525	22.0%
Total liabilities and equity	**23,868,501**	18,950,326	26.0%

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

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

As of 30 June 2011, the Group's total assets were RMB23,868 million, total liabilities were RMB16,381 million and its net assets were RMB7,487 million. The net gearing ratio (net debts/(net debts + total equity)) was 44.3%, representing a decrease of 6.1 percentage points compared with the end of the previous year. The Group's total current assets were RMB8,664 million, its total current liabilities were RMB7,451 million, and its net current assets were RMB1,213 million. The Group's estimated profits from future operations, its projected cash flow for 2011, the banking facilities granted and issuance of US Dollar bonds and CNH bonds to the Group are sufficient to satisfy the capital requirements for on-going needs of the sustained operations.

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

(Unit: RMB'000)

Term of borrowings	As at 30 June 2011	As at 31 December 2010
Short-term borrowings (including long-term borrowings with maturity within one year)	**2,325,712**	1,790,634
Long-term borrowings	**8,236,455**	5,608,114
Total	**10,562,167**	7,398,748

The Company's borrowings increased as a result of the capital needs for the expansion of its business. As of 30 June 2011, the Company's total borrowings were RMB10,562 million, an increase of RMB3,163 million as compared with 2010. Of which, long-term borrowings with maturity more than 1 year amounted to RMB8,236 million and accounted for 78.0% of the Group's total borrowings, an increase of 2.2 percentage point as compared with the beginning of the year.

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

(IV) Capital expenditures

During the Reporting Period, the capital expenditures of the Group were approximately RMB1,420 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 2011 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 2011	As at 31 December 2010
Authorised and contracted for	**1,561,228**	1,877,236
Authorised but not contracted for	**4,088,108**	1,845,926
Total	**5,649,336**	3,723,162

As of 30 June 2011, the capital commitment authorised and contracted by the Group amounted to RMB1,561 million, representing a decrease of RMB316 million as compared with the beginning of the year. Furthermore, the capital commitment authorised but not contracted amounted to RMB4,088 million, representing an increase of RMB2,242 million as compared with the beginning of the year.

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

(V) Net cash flow analysis

(Unit: RMB'000)

	January-June 2011	January-June 2010
Net cash generated from operating activities	**1,826,931**	379,443
Net cash used in investing activities	**-1,474,322**	-1,122,701
Net cash generated from financing activities	**3,146,885**	897,956
Net change in cash and cash equivalents	**3,499,494**	154,698
Balance of cash and cash equivalents as at 1 January	**1,144,840**	886,130
Effect of foreign exchange rates change	**-29,962**	-1,114
Balance of cash and cash equivalents as at 30 June	**4,614,372**	1,039,714

During the Reporting Period, the Group's net cash generated from operating activities amounted to RMB1,827 million, representing an increase of RMB1,447 million over the corresponding period of the previous year, as a result of substantial increase in selling prices and sales volume. Additionally, as the Group continued to undertake a large number of construction projects, net cash used in investing activities amounted to RMB1,474million, representing an increase of RMB352 million compared with negative net cash flow used in investing activities during the same period of the previous year. Net cash generated from financing activities increased by RMB2,249 million to RMB3,147 million over the corresponding period of the previous year, which was due to an increase in the issuance of bonds and volume of loans.

4. OUTLOOK FOR THE SECOND HALF OF THE YEAR

In the second half of 2011, the Chinese government will continue to adhere to the scientific development approach, accelerate the transformation of the model of economic development, and maintain a stable and rapid economic development. During this process, we are of the opinion that the supply and demand dynamic of the cement industry will be further improved. The cement industry will be mainly benefited from the following favourable factors:

1. Additional production capacity in the cement industry will be restricted while the phase-out of obsolete capacity will be accelerated, this will result in continuous improvement in the supply and demand dynamics. We are of the opinion that, in the second half of the year, the Government will not entirely remove the restriction on the examination and approval of cement projects, and will increase its efforts to further promote energy conservation and emission reduction and eliminate obsolete capacity while taking strict measures to control the increase of cement production capacity. In July 2011, MIIT announced the list of obsolete enterprises to be phased out in the cement industry. China will eliminate obsolete cement production capacity of 153.27 million tonnes in 2011. Among which, the goals for elimination of cement production capacity for Shandong province, Liaoning province, Inner Mongolia and Shanxi province will be 8.66 million tonnes, 12.81 million tonnes, 2.17 million tonnes and 16.3 million tonnes respectively, these regions are where the Group's operations are located. It is expected that the second half of the year will be the peak period for elimination of obsolete cement capacity, and thus the supply and demand dynamics in the markets where the Company operates will be improved effectively. (Source: MIIT)

2. The peak season of the cement market in Northern China will come shortly and the demand for cement products will remain strong. In 2011, the central government has allocated a larger amount of the national budget to support the construction of affordable housing for the low-income population, water conservation facilities and agricultural infrastructure. With the gradual implementation of various supportive initiatives such as approval of the issuance of bonds by local governments and the proposed establishment of national construction materials procurement platform, the pace of construction of affordable housing will be further accelerated. In addition, in order to enhance its ability to withstand natural disasters, the central government will increase its investment in the construction of water conservation infrastructure in the second half of the year. Meanwhile, the trial run of "bringing cement products to rural areas" will be further implemented in Shandong province in 2011. On this basis, we expect that the demand for cement products will remain strong in the second half of the year.

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

3. With higher degree of industry consolidation, large conglomerates will gain greater regional control and their pricing ability will be further improved. It is clearly stated in the "Opinions on Promoting Merger and Restructuring Activities of Enterprises" promulgated by the State Council in 2010 that, it will promote the merger of key players in the cement industry, support the merger and restructuring of large enterprises and improve industry concentration, in order to achieve the goal to have the top 10 conglomerates producing more than 35% of our national total cement output or each having an average cement output of over 70 million tonnes as proposed for our cement industry in the "Twelfth Five-year Plan". Under the guidance of relevant industrial policies and with the support of our national policies, large cement enterprises have commenced to expand their production capacity through merger and restructuring activities by taking advantage of their strong profitability and sound financial position. It is foreseeable that, in the second half of the year and in the next few years, with the higher degree of industry consolidation, large conglomerates will gain greater regional control and their pricing ability will be improved further.

   In the second half of the year, the Group will follow the development trend of the State's macroeconomic policies, firmly grasp the opportunities arising from the industry development, gear up the construction of our cement projects in progress and those of our downstream projects, proactively conduct market research, identify suitable targets for merger and restructuring, and further optimize our market layout, so as to realize our staged goal of increasing the Group's capacity up to 80 million tonnes. Meanwhile, the Group will continue to proactively implement overall budget management, regulate the workflow systems, enhance the supervision on internal audit, improve internal management, and strengthen its overall competitive edge, thus creating better investment return for its shareholders with remarkable operating results.

1. CORPORATE GOVERNANCE

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

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

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

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

Based on the requirements of the Listing Rules of the Stock Exchange, the Company continues to enhance the information disclosure system and management rules 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 2011.

3. ACQUISITIONS AND MAJOR JOINT VENTURE ESTABLISHMENT

(I) Acquisitions

1. Acquisition of business of Lande Cement in Inner Mongolia

On 20 January 2011, Liaoning Shanshui Gongyuan Cement Co., Ltd. ("Liaoning Shanshui"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Mr. Dang Yonggan, pursuant to which Liaoning Shanshui acquired the entire equity interests in Lande Cement.

3. ACQUISITIONS AND MAJOR JOINT VENTURE ESTABLISHMENT *(continued)*

(II) Establishment of major companies

1. *Establishment of a joint venture, Yulin Shanshui Environmental Building Materials Co., Ltd. ("Yulin Shanshui Materials"), in Shanxi*

On 27 October 2010 by Shanxi Shanshui Cement Co., Ltd. ("Shanxi Shanshui"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Yulin Yatai Environmental Building Materials Co., Ltd, pursuant to which the parties jointly invested RMB80.4 million to establish Yulin Shanshui Building Materials to develop the cement and related businesses in Shanxi on 18 January 2011. The capital contribution from Shanxi Shanshui accounted for 85% of the registered capital.

2. *Establishment of a new company, Shandong Shanshui Building Materials Co., Ltd. ("Shanshui Building Materials"), in Shandong*

On 2 March 2011, Shandong Shanshui, a wholly-owned subsidiary of the Company, established its wholly-owned subsidiary, Shanshui Building Materials, in Jinan, Shandong with a registered capital of RMB20 million, to develop concrete and cement products as well as the extended industrial chain business of cement in Shandong.

3. *Establishment of a new company, Benxi Shanshui Cement Co., Ltd ("Benxi Shanshui"), in Liaoning*

On 14 March 2011, Liaoning Shanshui, a wholly-owned subsidiary of the Company, established its wholly-owned subsidiary, Benxi Shanshui in Benxi, Liaoning with a registered capital of RMB50 million, with an aim to improve the cement business in Liaoning.

4. *Establishment of a new company, Keyou Zhongqi Shanshui Cement Co., Ltd ("Keyou Zhongqi Shanshui"), in Inner Mongolia*

On 7 April 2011, Liaoning Shanshui, a wholly-owned subsidiary of the Company, established its wholly-owned subsidiary, Keyou Zhongqi Shanshui in Keyou Zhongqi, Inner Mongolia, with a registered capital of RMB30 million, with an aim to improve cement business in eastern Inner Mongolia.

5. *Establishment of a joint venture, Linfen Shanshui Cement Co., Ltd. ("Linfen Shanshui"), in Shanxi*

On 18 February 2011, Shanxi Shanshui, a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Hongdong County Xiaobo Building Materials Co., Ltd,pursuant to which the parties jointly invested RMB200 million to establish Linfen Shanshui to develop the cement business in Shanxi on 3 May 2011. The capital contribution from Shanxi Shanshui accounted for 85% of the registered capital.

3. ACQUISITIONS AND MAJOR JOINT VENTURE ESTABLISHMENT *(continued)*

(II) Establishment of major companies *(continued)*

6. Establishment of a joint venture, Shuozhou Shanshui New Era Cement Co., Ltd. ("Shuozhou Shanshui"), in Shanxi

On 1 June 2010, Shanxi Shanshui, a wholly-owned subsidiary of the Company, entered into a joint cooperation agreement with Shanxi New Era Real Estate Development Group, pursuant to which the parties jointly invested RMB160 million to establish Shuozhou Shanshui to develop the cement business in Shanxi on 10 June 2011. The capital contribution from Shanxi Shanshui accounted for 75% of the registered capital.

7. Establishment of a new company, Huixian County Shanshui Cement Co., Ltd ("Huixian Shanshui") in Henan

On 30 June 2011, Shandong Shanshui, a wholly-owned subsidiary of the Company, established its wholly-owned subsidiary, Huixian Shanshui in Huixian, Henan with a registered capital of RMB100 million, to develop cement business in Huixian, Henan.

4. CONTINUING CONNECTED TRANSACTIONS

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

5. 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 2011 prepared in accordance with IFRS, and reviewed the unaudited interim results of the Group for the six months ended 30 June 2011.

(VII) Interim Financial Statements (Unaudited)
Consolidated income statement

For the six months ended 30 June 2011 – Unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2011 RMB'000	2010 RMB'000
Revenue	3, 4&5	**7,832,210**	4,723,654
Cost of sales		**(5,362,692)**	(3,756,657)
Gross profit		**2,469,518**	966,997
Other revenue	6	**72,450**	66,713
Other net (expenses)/income	6	**(61,712)**	1,590
Selling and marketing expenses		**(121,623)**	(86,664)
Administrative expenses		**(375,900)**	(234,320)
Profit from operations		**1,982,733**	714,316
Finance costs	7	**(234,178)**	(170,651)
Share of profits less losses of an associate		**3,300**	(45)
Profit before taxation		**1,751,855**	543,620
Income tax	8	**(476,850)**	(132,339)
Profit for the period		**1,275,005**	411,281
Attributable to:			
Equity shareholders of the Company		**1,237,021**	403,656
Non-controlling interests		**37,984**	7,625
Profit for the period		**1,275,005**	411,281
Earnings per share	10		
Basic		**0.44**	0.14
Diluted		**0.44**	0.14

The notes on pages 35 to 58 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 24.

(VII) Interim Financial Statements (Unaudited)
Consolidated statement of comprehensive income

For the six months ended 30 June 2011 – Unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2011	2010
	Note	**RMB'000**	RMB'000
Profit for the period		**1,275,005**	411,281
Other comprehensive income for the period (after tax and reclassification adjustments):			
Exchange differences on translation of:			
financial statements of overseas subsidiaries		**(1,678)**	31
Available-for-sales securities:			
net movement in fair value reserve	9	**52**	(2,922)
Total comprehensive income for the period		**1,273,379**	408,390
Attributable to:			
Equity shareholders of the Company		**1,235,395**	400,765
Non-controlling interests		**37,984**	7,625
Total comprehensive income for the period		**1,273,379**	408,390

The notes on pages 35 to 58 form part of this interim financial report.

(VII) Interim Financial Statements (Unaudited)

Consolidated statement of financial position

At 30 June 2011 – Unaudited
(Expressed in Renminbi)

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current assets			
Fixed assets	11		
– Property, plant and equipment		**11,674,254**	11,280,448
– Interests in leasehold land held for own use under operating leases		**1,771,854**	1,734,794
		13,446,108	13,015,242
Intangible assets		**357,907**	373,715
Other long-term assets	12	**68,415**	79,535
Goodwill		**1,010,267**	991,328
Investment in an associate		**52,029**	48,782
Other financial assets		**125,722**	81,652
Deferred tax assets		**144,312**	132,112
		15,204,760	14,722,366
Current assets			
Inventories	13	**1,444,258**	1,137,756
Trade and bills receivable	14	**1,321,963**	963,850
Other receivables and prepayments	15	**1,225,371**	916,149
Pledged bank deposits	16	**57,777**	65,365
Cash and cash equivalents	17	**4,614,372**	1,144,840
		8,663,741	4,227,960
Current liabilities			
Short-term and current portion of interest-bearing borrowings	18(a)	**2,222,000**	1,684,500
Current portion of loans from equity shareholders	18(b)	**103,712**	106,134
Trade and bills payable	19	**2,078,719**	1,953,935
Other payables and accrued expenses	20	**2,667,698**	2,471,491
Current taxation		**377,737**	264,448
Obligation under finance leases		**1,133**	1,133
		7,450,999	6,481,641
Net current assets/(liabilities)		**1,212,742**	(2,253,681)
Total assets less current liabilities		**16,417,502**	12,468,685

The notes on pages 35 to 58 form part of this interim financial report.

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

At 30 June 2011 – Unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2011 RMB'000**	At 31 December 2010 RMB'000
Non-current liabilities			
Interest-bearing borrowings, less current portion	18(a)	**3,459,500**	4,260,000
Loans from equity shareholders, less current portion	18(b)	**288,315**	348,114
Corporate bond	21	**4,488,640**	1,000,000
Obligation under finance leases		**5,180**	5,580
Defined benefit obligations		**166,627**	171,430
Deferred income	22	**336,601**	337,095
Long-term payables		**96,555**	103,902
Deferred tax liabilities		**89,051**	93,559
		8,930,469	6,319,680
NET ASSETS		**7,487,033**	6,149,005
CAPITAL AND RESERVES			
Share capital		**193,198**	193,198
Reserves		**6,744,763**	5,494,327
Total equity attributable to equity shareholders of the Company		**6,937,961**	5,687,525
Non-controlling interests		**549,072**	461,480
TOTAL EQUITY		**7,487,033**	6,149,005

The notes on pages 35 to 58 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 2011 – Unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Exchange reserves RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
Balance at 1 January 2010	192,355	3,433,022	341,830	346,457	(24,601)	7,429	863,701	5,160,193	68,935	5,229,128
Changes in equity for the six months ended 30 June 2010:										
Increase in non-controlling interests attributable to acquisition of subsidiaries and contribution to subsidiaries	–	–	–	–	–	–	–	–	45,039	45,039
Dividends approved in respect of the previous year	–	–	–	–	–	–	(238,294)	(238,294)	–	(238,294)
Total comprehensive income for the period	–	–	–	–	31	(2,922)	403,656	400,765	7,625	408,390
Balance at 30 June 2010 and 1 July 2010	192,355	3,433,022	341,830	346,457	(24,570)	4,507	1,029,063	5,322,664	121,599	5,444,263
Changes in equity for the six months ended 31 December 2010:										
Increase in non-controlling interests attributable to acquisition of subsidiaries and contribution to subsidiaries	–	–	–	–	–	–	–	–	321,717	321,717
Conversion of convertible notes	843	18,063	–	(7,125)	–	–	–	11,781	–	11,781
Use of reserves	–	–	(526)	–	–	–	–	(526)	–	(526)
Purchase option in minority interests	–	–	–	(215,280)	–	–	–	(215,280)	–	(215,280)
Transfer between reserves	–	–	157,032	–	–	–	(157,032)	–	–	–
Total comprehensive income for the period	–	–	–	–	(6,123)	(463)	575,472	568,886	18,164	587,050
Balance at 31 December 2010	193,198	3,451,085	498,336	124,052	(30,693)	4,044	1,447,503	5,687,525	461,480	6,149,005
Balance at 1 January 2011	**193,198**	**3,451,085**	**498,336**	**124,052**	**(30,693)**	**4,044**	**1,447,503**	**5,687,525**	**461,480**	**6,149,005**
Changes in equity for the six months ended 30 June 2011:										
Increase in non-controlling interests attributable to contribution to subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**66,950**	**66,950**
Purchases of non-controlling interests	**–**	**–**	**–**	**(11,458)**	**–**	**–**	**–**	**(11,458)**	**(17,342)**	**(28,800)**
Equity settled share-based transactions	**–**	**–**	**–**	**26,499**	**–**	**–**	**–**	**26,499**	**–**	**26,499**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(1,678)**	**52**	**1,237,021**	**1,235,395**	**37,984**	**1,273,379**
Balance at 30 June 2011	**193,198**	**3,451,085**	**498,336**	**139,093**	**(32,371)**	**4,096**	**2,684,524**	**6,937,961**	**549,072**	**7,487,033**

The notes on pages 35 to 58 form part of this interim financial report.

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

For the six months ended 30 June 2011 – Unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2011 RMB'000	2010 RMB'000
Cash generated from operations		**2,207,905**	498,061
Tax paid		**(380,974)**	(118,618)
Net cash generated from operating activities		**1,826,931**	379,443
Net cash used in investing activities		**(1,474,322)**	(1,122,701)
Net cash generated from financing activities		**3,146,885**	897,956
Net increase in cash and cash equivalents		**3,499,494**	154,698
Cash and cash equivalents at 1 January	17	**1,144,840**	886,130
Effect of foreign exchange rates changes		**(29,962)**	(1,114)
Cash and cash equivalents at 30 June	17	**4,614,372**	1,039,714

The notes on pages 35 to 58 form part of this interim financial report.

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard 34 "Interim financial reporting" ("IAS 34"), issued by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 22 August 2011.

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 2010, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

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

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

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 2010 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"). IFRSs include IAS and related interpretations.

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 2010 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 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 March 2011.

2 CHANGES IN ACCOUNTING POLICIES

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

- IAS 24 (revised 2009), related party disclosures
- Improvements to IFRICs (2010)
- IFRIC 19, Extinguishing financial liabilities with equity instruments
- Amendments to IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement

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

The amendments to IFRIC 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. IFRIC 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction. The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

3 SEGMENT REPORTING

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

The Group manages its businesses by geographical areas. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three 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 of the PRC.

(Expressed in Renminbi unless otherwise indicated)

3 SEGMENT REPORTING *(continued)*

(a) Segment results

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

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

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

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

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.

	Six months ended 30 June 2011				Six months ended 30 June 2010			
	Shandong Province RMB'000	**Northeastern China RMB'000**	**Shanxi Province RMB'000**	**Total RMB'000**	Shandong Province RMB'000	Northeastern China RMB'000	Shanxi Province RMB'000	Total RMB'000
Revenue from external customers	**6,253,033**	**1,551,370**	**27,807**	**7,832,210**	3,992,923	730,508	223	4,723,654
Inter-segment revenue	**14,656**	**5,069**	**–**	**19,725**	23,054	–	–	23,054
Reportable segment revenue	**6,267,689**	**1,556,439**	**27,807**	**7,851,935**	4,015,977	730,508	223	4,746,708
Reportable segment profit/(loss) (adjusted profit/(loss) before taxation)	**1,960,058**	**153,733**	**(2,252)**	**2,111,539**	691,384	44,234	(4,154)	731,464

3 SEGMENT REPORTING *(continued)*

(b) Reconciliations of reportable segment revenues and profit or loss.

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	**7,851,935**	4,746,708
Elimination of inter-segment revenue	**(19,725)**	(23,054)
Consolidated turnover	**7,832,210**	4,723,654

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Profit		
Reportable segment profit	**2,111,539**	731,509
Elimination of inter-segment profits	**(1,364)**	(3,658)
Reportable segment profit derived from group's external customers	**2,110,175**	727,851
Share of profits less losses of an associate	**3,300**	(45)
Unallocated finance costs	**(205,568)**	(146,166)
Unallocated head office and corporate expenses	**(156,052)**	(38,020)
Consolidated profit before taxation	**1,751,855**	543,620

4 REVENUE

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Sale of cement and clinker	**7,417,259**	4,445,050
Sale of other products and rendering of services	**414,951**	278,604
	7,832,210	4,723,654

5 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.

6 OTHER REVENUE AND OTHER NET (EXPENSE)/INCOME

	Note	Six months ended 30 June 2011 RMB'000	 2010 RMB'000
Other revenue			
Interest income on bank deposits		**9,778**	2,846
Government grants		**54,762**	55,421
Amortisation of deferred income		**7,910**	8,446
		72,450	66,713
Other net (expense)/income			
Net foreign exchange gain/(losses)		**10,122**	(153)
Net (losses)/gain from disposal of fixed assets		**(2,108)**	1,365
Penalty income		**1,614**	591
Impairment losses on other long-term assets	12	**(66,935)**	–
Others		**(4,405)**	(213)
		(61,712)	1,590

7 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Note	Six months ended 30 June 2011 RMB'000	 2010 RMB'000
Interest on borrowings and corporate bonds		**232,883**	165,345
Less: capitalised interest expense	(i)	**(15,575)**	(14,902)
Net interest expense		**217,308**	150,443
Unwinding of discount	(ii)	**11,968**	19,475
Bank charges		**4,702**	491
Finance charges on obligations under finance lease		**200**	242
		234,178	170,651

7 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 6.12% and 5.60% for the six months ended 30 June 2011 and 2010 respectively.

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Convertible notes	**–**	640
Defined benefit plans	**3,067**	3,327
Acquisition consideration payable	**8,901**	15,508
	11,968	19,475

(b) Other items

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Depreciation	**399,139**	335,297
Amortisation		
– intangible assets	**25,113**	29,683
Operating lease charges	**7,892**	8,376
Impairment losses provided		
– trade receivables	**20,385**	5,176
Inventory write-down	**–**	(11,017)

8 INCOME TAX

(a) Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Current tax expenses		
Provision for the PRC income tax	**494,305**	143,887
Deferred taxation		
Origination and reversal of temporary differences	**(17,455)**	(11,548)
	476,850	132,339

8 INCOME TAX *(continued)*

(a) Taxation in the consolidated income statement represents: *(continued)*

(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 2011 and 2010.

(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 2011 (corresponding period in 2010: 25%), except for the following:

Continental (Shandong) Cement Corporation ("Kangda Cement"), is registered as foreign invested corporates and are entitled to a tax grandfathering period during which they are fully exempted from the PRC Corporate Income Tax for two years starting from its first tax profit-making year, followed by a 50% reduction in the PRC Corporate Income Tax rate for the next three years.

The year 2011 is the fourth profit-making year of Kangda Cement, therefore, the applicable Corporate Income Tax rate for the six months ended 30 June 2011 is 12.5% (corresponding period in 2010: 12.5%).

(iv) According to the new Corporate Income Tax law and its implementation rules, enterprises that enjoyed a fixed period of tax exemption and reduction under previous applicable rules and regulations would continue to enjoy such preferential tax treatment until the expiry of such prescribed period, and for those enterprises whose preferential tax treatment had not commenced due to lack of profit, such preferential tax treatment commenced from 1 January 2008.

9 OTHER COMPREHENSIVE INCOME

(a) Available-for-sale securities

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Changes in fair value recognised during the period	**52**	(2,922)
Net movement in the fair value reserve during the period recognised in other comprehensive income	**52**	(2,922)

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2011 is based on the profit attributable to ordinary equity shareholders of the Company for the period of RMB1,237,021,000 (corresponding period in 2010: RMB403,656,000) and the weighted average number of ordinary shares of 2,815,950,200 (corresponding period in 2010: 2,803,304,000) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2011 is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,237,021,000 (corresponding period in 2010: RMB404,296,000) and the weighted average number of ordinary shares 2,816,294,824 (corresponding period in 2010: 2,815,950,200), calculated as follows:

(i) Profit attributed to ordinary equity shareholders of the Company (diluted)

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Profit attributable to ordinary equity shareholders of the Company (basic)	**1,237,021**	403,656
Unwinding of discount on convertible notes	**–**	640
Profit attributable to ordinary equity shareholders of the Company (diluted)	**1,237,021**	404,296

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

	Six months ended 30 June	
	2011	2010
Weighted average number of ordinary shares (basic)	**2,815,950,200**	2,803,304,000
Effect of conversion of the convertible notes	**–**	12,646,200
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 23)	**344,624**	–
Weighted average number of ordinary shares (diluted)	**2,816,294,824**	2,815,950,200

11 FIXED ASSETS

During the six months ended 30 June 2011, the addition of fixed assets of the Group amounted to RMB822,904,000 (corresponding period in 2010: RMB1,126,542,000). Fixed assets valued at RMB37,256,000 were acquired through business combination (see Note 25). Items of fixed assets with net book value totaling RMB5,108,000 were disposed of during the six months ended 30 June 2011 (corresponding period in 2010: RMB5,601,000), resulting in a loss on disposal of RMB2,108,000 (corresponding period in 2010: gain on disposal of RMB1,365,000).

12 OTHER LONG-TERM ASSETS

	2011	2010
	RMB'000	RMB'000
Cost:		
At 1 January	**147,084**	138,084
Addition	**63,677**	9,000
At 30 June/31 December	**210,761**	147,084
Accumulated amortisation and impairment:		
At 1 January	**(67,549)**	(18,325)
Amortisation for the period	**(7,862)**	(14,157)
Impairment for the period	**(66,935)**	(35,067)
At 30 June/31 December	**(142,346)**	(67,549)
Net book value:	**68,415**	79,535

In December 2007, China Pioneer Cement (Hong Kong) Company Limited entered into a service agreement (the "Service Agreement") with China Northeastern Building Materials Consulting Limited ("Northeastern Consulting") for HKD150,000,000. Under the Service Agreement, Northeastern Consulting will provide the Group with various services from 1 January 2008 to 31 December 2019. The amounts are amortised over the effective period of various services as stated in the Service Agreement. The management considered that the services are no longer required, thus, a provision for impairment on such service was made in the sum of RMB66,935,000 during the period.

The addition of other long-term assets during the six months ended 30 June 2011 represents the transaction cost of the corporate bonds issued by the Company. These transaction costs will be recognised as an expense over the period of the corporate bonds.

13 INVENTORIES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Raw materials	**569,751**	585,877
Semi-finished goods	**300,015**	157,883
Finished goods	**382,243**	199,696
Spare parts	**192,249**	194,300
	1,444,258	1,137,756

14 TRADE AND BILLS RECEIVABLE

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Bills receivable	**787,840**	614,472
Trade debtors	**608,680**	403,550
Less: allowance for doubtful debts	**(74,557)**	(54,172)
	1,321,963	963,850

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

An aging analysis of trade and bills receivable of the Group is as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Current	**1,237,896**	848,214
Less than 3 month past due	**40,072**	24,316
3 to 6 months past due	**21,640**	26,104
6 to 12 months past due	**14,880**	28,256
More than 12 months past due	**7,475**	36,960
Amount past due	**84,067**	115,636
	1,321,963	963,850

14 TRADE AND BILLS RECEIVABLE *(continued)*

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 a 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.

15 OTHER RECEIVABLES AND PREPAYMENTS

	Note	**At 30 June 2011 RMB'000**	At 31 December 2010 RMB'000
Prepayments for raw materials		**201,928**	117,841
Prepayments for long-lived assets		**476,852**	349,165
VAT recoverables		**254,032**	225,805
Amount due from related parties	27(b)	**10,955**	2,760
Amount due from third parties		**264,506**	198,584
Others		**17,098**	21,994
		1,225,371	916,149

16 PLEDGED BANK DEPOSITS

Pledged bank deposits in the amounts of RMB57,777,000 (31 December 2010: RMB65,365,000) were mainly related to the bank guarantee facilities in relation to bills payables and bidding deposit.

17 CASH AND CASH EQUIVALENTS

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Cash at bank and in hand	**4,614,372**	1,144,840

(Expressed in Renminbi unless otherwise indicated)

18 LOANS AND BORROWINGS

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

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Long-term interest-bearing borrowings:			
Bank loans – Secured	(i)	**3,139,500**	3,407,500
Bank loans – Unsecured	(ii)	**2,202,000**	2,147,000
Loan from government – Unsecured	(iii)	**10,000**	10,000
		5,351,500	5,564,500
Less: Current portion of long-term bank loans		**(1,892,000)**	(1,304,500)
Interest-bearing borrowings, less current portion		**3,459,500**	4,260,000

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
After one year but within two years	**2,784,500**	3,363,000
After two years but within five years	**630,000**	852,000
After five years	**45,000**	45,000
Total	**3,459,500**	4,260,000

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Short-term interest-bearing borrowings:			
Bank loans – Secured	(iv)	**250,000**	180,000
Bank loans – Unsecured	(ii)	**80,000**	200,000
		330,000	380,000
Add: Current portion of long-term bank loans		**1,892,000**	1,304,500
Short-term and current portion of interest-bearing borrowings:		**2,222,000**	1,684,500

18 LOANS AND BORROWINGS *(continued)*

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

Notes:

(i) The loans of RMB124,500,000 (2010: RMB247,500,000) as at 30 June 2011, were guaranteed by third party. Other balances were either pledged by certain items of property, plant and equipment and interests in leasehold land held for own use under operating leases, or guaranteed by companies within the Group.

(ii) Non-current bank loans with amount of RMB2,202,000,000 (2010: RMB2,147,000,000) and current bank loans with amount of RMB80,000,000 (2010: RMB200,000,000) are unsecured loans.

(iii) The government loan was received by Liaoning Shanshui Gongyuan Cement Co., Ltd. ("Gongyuan Cement") 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 in 2012.

(iv) Current secured bank loans carried annual interest rates ranging from 4.78% to 6.63% (corresponding period in 2010: 4.78% to 5.75%) for the six months ended 30 June 2011. Current unsecured bank loans carried annual interest rates ranging from 5.31% to 6.63% (corresponding period in 2010: 5.31%) for the six months ended 30 June 2011.

Some of the Group's banking facilities are subject to the fulfilment of covenants relating to certain subsidiaries' balance sheet ratios or the aggregate external guarantee limit, as are commonly found in lending arrangements with financial institutions, or conditions of assets relating to production of cements. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance of these covenants.

The balance sheet ratio of certain subsidiaries and the aggregate external guarantee provided by a subsidiary exceeded certain limits set out in the covenant of the loan agreements. The relevant outstanding loan balance was RMB80,000,000 (31 December 2010: RMB160,000,000) as at 30 June 2011. These loans have been classified under current portion of long-term bank loans.

18 LOANS AND BORROWINGS *(continued)*

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

	Note	**At 30 June 2011 RMB'000**	At 31 December 2010 RMB'000
Long-term loans from equity shareholders – Secured	(i)	**392,027**	454,248
Less: Current portion of loans from equity shareholders		**(103,712)**	(106,134)
Loans from equity shareholders, less current portion		**288,315**	348,114

Notes:

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

Weihai Shanshui Cement Company Limited ("Weihai Shanshui"), Qingdao Shanshui Chuangxin Cement Company Limited ("Qingdao Shanshui Chuangxin"), Linqu Shanshui Cement Company Limited ("Linqu Shanshui") and Zaozhuang Chuangxin Cement Company Limited ("Zaozhuang Chuangxin Shanshui") entered into loan agreements with IFC, totalling USD50,000,000 in 2010. The loans bear interest at LIBOR plus 4.75% per annum and are repayable bi-annually from 2010 to 2015. Loans of Weihai Shanshui and Qingdao Shanshui Chuangxin are secured by certain items of property, plant and equipment of the subsidiaries. As at the date of this report, the collateral agreements of Linqu Shanshui and Zaozhuang Chuangxin Shanshui loans contracts are in process.

19 TRADE AND BILLS PAYABLE

An aging analysis of trade and bills payables is set out below:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 3 months	**1,652,264**	1,516,724
Over 3 months but less than 6 months	**178,195**	202,237
Over 6 months but less than 12 months	**111,798**	97,837
Over 12 months	**136,462**	137,137
	2,078,719	1,953,935

20 OTHER PAYABLES AND ACCRUED EXPENSES

	Note	**At 30 June 2011 RMB'000**	At 31 December 2010 RMB'000
Customer deposits and receipts in advance		**1,109,576**	514,883
Accrued payroll and welfare		**148,492**	163,223
Taxes payable other than income tax		**223,027**	109,132
Staff compensation and termination provisions		**179,742**	180,397
Amount due to related parties	27(b)	**900**	1,839
Payable to third parties of acquired subsidiaries		**113,047**	181,271
Acquisition consideration payable		**331,382**	885,423
Current portion of long-term payables		**224,866**	216,783
Accrued expenses and other payables		**336,666**	218,540
		2,667,698	2,471,491

21 CORPORATE BONDS

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Corporate bonds	**4,488,640**	1,000,000

Shandong Shanshui Cement Company Limited ("Shandong Shanshui") issued a three-year corporate bond of RMB1 billion to corporate investors in the PRC debenture market on 11 October 2010. The three year corporate bond bears a fixed interest rate of 4.2% per annum and interest is paid annually. Interest payable for the current period was included in other payables.

Shandong Shanshui issued a three-year corporate bond of RMB900 million to corporate investors in the PRC debenture market on 27 March 2011. The three year corporate bond bears a fixed interest rate of 5.78% per annum and interest is paid annually. Interest payable for the current period was included in other payables.

The Company issued a five-year senior notes of USD400 million and listed the notes on Singapore Exchange Securities Trading Limited on 23 May 2011. The notes will bear fixed interest rate of 8.50% per annum and interest is paid semi-annually in arrears on 25 May and 25 November of each year. The notes will mature on 25 May 2016. Interest payable for the current period was included in other payables.

22 DEFERRED INCOME

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
At 1 January	**337,095**	311,195
Additions	**7,416**	41,485
Recognised in consolidated income statement	**(7,910)**	(15,585)
At 30 June/31 December	**336,601**	337,095

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

(Expressed in Renminbi unless otherwise indicated)

23 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 25 May 2011, the director of the Company has granted certain directors and employees of the Group to take up options to subscribe for 7,300,000 ordinary shares of the Company under the Share Option Scheme. The exercise price of these options is HKD7.90, being the weight average closing price of the Company's ordinary shares immediately before the grant. These share options was vested immediately after granted and then be exercisable until 24 May 2021.

No options were exercised during the six months ended 30 June 2011.

(a) 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.

Fair value of share options and assumptions	**2011**
Fair value at measurement date	**HKD26,499,000**
Share price	**HKD7.83**
Exercise price	**HKD7.90**
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	**57.04%**
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	**10 years**
Expected dividends	**1.90%**
Risk-free interest rate (based on Hong Kong Exchange Fund Note)	**2.402%**

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.

24 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	
	2011	2010
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the interim period	**343,799**	238,294
Final dividend in respect of the previous financial year, paid during the interim period	**–**	–

Pursuant to the shareholders' approval at the Annual General Meeting on 20 May 2011, a final dividend of HKD0.145 per share totaling HKD408,312,779 (inclusive of applicable tax, equivalent to RMB343,799,000) in respect of the year ended 31 December 2010 was approved on 20 May 2011.

25 ACQUISITIONS

The Group acquired the equity interests of the following entity engaged in cement business in Inner-Mongolia Autonomous Region during the six months ended 30 June 2011. The acquisition is expected to provide the Group with an increased market share in the region. The fair value of net identifiable assets of the acquiree is determined based on a preliminary valuation carried out by a qualified independent valuer, Jones Lang LaSalle Sallmanns Limited. The fair value has been determined on a provisional basis and is subject to change pending finalisation of the valuation. The finalisation of the valuation could affect the amounts assigned to the assets and the related depreciation/amortisation charges for these assets and the amount of goodwill/discount recognised.

From the date of acquisition to 30 June 2011, the acquiree contributed revenue of RMB5,466,000 and net loss of RMB997,000. If the acquisition had occurred on 1 January 2011, management estimates that consolidated revenue would have been RMB7,832,210,000 and consolidated profit for the period would have been RMB1,272,549,000.

25 ACQUISITIONS *(continued)*

Name of company	Voting right	Date of acquisition	Principal activities
Lande Cement Co., Ltd. ("Lande Cement") 蘭德水泥有限公司	100%	20 January 2011	Production and sale of cement

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

	Pre-acquisition carrying amount	Fair value adjustment	Recognised values on acquisition
	RMB'000	RMB'000	RMB'000
Fixed assets	34,507	2,749	37,256
Trade and other receivables	12,511	–	12,511
Inventories	2,931	–	2,931
Trade and other payables	(16,105)	–	(16,105)
Defer tax liability	–	(687)	(687)
Net identifiable assets	33,844	2,062	35,906
Goodwill arising on acquisition			18,939
Total purchase consideration			54,845
Satisfied by:			
Consideration payable			54,845
Cash paid			–
			54,845

26 COMMITMENTS

(a) Capital commitments

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Contracted for	**1,561,228**	1,877,236
Authorised but not contracted for	**4,088,108**	1,845,926
	5,649,336	3,723,162

(b) Operating lease commitments

At 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 1 year	**15,767**	15,639
After 1 year but within 2 years	**15,707**	15,579
After 2 year but within 5 years	**46,884**	46,500
After 5 years	**125,710**	131,492
	204,068	209,210

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.

27 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions

	Note	Six months ended 30 June 2011 RMB'000	2010 RMB'000
Recurring transactions			
Sales to:			
– Tianjin Tianhui Cement Co., Ltd. ("Tianjin Tianhui")		**–**	11,497
– Dong'e Shanshui Dongchang Cement Co., Ltd. ("Dong'e Shanshui")	(i)	**47,261**	–
		47,261	11,497
Purchase from:			
– Dong'e Shanshui	(i)	**2,418**	–
Rental income:			
– Shanshui Jinzhu Powder Co., Ltd.		**–**	373
– Shanshui Stanford New Building Materials Co., Ltd. ("Stanford")		**–**	279
		–	652
Brand royalty income:			
– Tianjin Tianhui		**–**	49
Management fees:			
– Tianjin Tianhui		**–**	25
Non-recurring transactions			
Advances to:			
– Jinan Shanshui Group Co., Ltd. ("Jinan Shanshui")		**–**	850
– Stanford		**–**	10
		–	860

27 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(a) Transactions *(continued)*

	Note	Six months ended 30 June 2011 RMB'000	2010 RMB'000
Loans from related parties and related interest expenses:			
– Jinan Shanshui		**200**	–
– IFC		**8,766**	34,135
		8,966	34,135
Loans to an associate and related interest income:			
– Dong'e Shanshui	(ii)	**46,642**	–
Repayment of loans to an associate and related interests by:			
– Dong'e Shanshui		**1,500**	–
Repayment of loans from related parties and related interests to:			
– IFC		**70,724**	33,836
– Jinan Shanshui		**1,400**	–
		72,124	33,836

Notes:

(i) These represent sales of clinkers, cements and uniforms and purchases of clinkers which were carried out in accordance with the terms of the underlying agreements.

(ii) These relate to loans and related interests to Dong'e Shanshui, the associate of the Group. These loans with total principal of RMB44,000,000 bear interest at one-year PRC bank loan interest rate and the related interest receivables as at 30 June 2011 was RMB2,642,000.

27 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Balances with related parties

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Accounts receivables due from:			
– Dong'e Shanshui		**3,738**	–
Prepayments to:			
– Dong'e Shanshui		**1,629**	–
Other receivables due from:			
– China Shanshui Investment Co., Ltd.		**723**	739
– Jinan Shanshui Group Property Development Co., Ltd.		**1,341**	1,341
– Dong'e Shanshui		**1,821**	680
		3,885	2,760
Other financial assets due from			
– Dong'e Shanshui		**118,000**	74,000
Other payables due to:			
– IFC		**900**	639
– Jinan Shanshui		**–**	1,200
		900	1,839
Loans due to:			
– IFC		**392,029**	454,248
Liability portion of convertible notes due to:			
– IFC		**–**	10,859

27 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	
	2011	2010
	RMB'000	RMB'000
Salary, allowances and other benefits	**6,277**	5,778
Contribution to defined contribution retirement plans	**65**	104
Equity compensation benefits	**18,876**	–
	25,218	5,882

28 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 15 July 2011, Shandong Shanshui Construction Material Company Limited entered into an equity transfer agreement with a third party for the acquisition of the entire equity interests in Qingdao Huading Construction Material Company Limited ("Huading Construction Material") for an aggregate consideration of RMB220,000,000. Huading Construction Material is located in Qingdao city, Shandong Province and is principally engaged in the production and sales of concrete.

On 9 June 2011, Shandong Shanshui entered into an assets transfer agreement with a third party for the acquisition of a group of net assets for a total consideration of RMB32,800,000. The group of net assets are belonged to Huixian Luqiao Cement Company Limited, which is located in Huixian City, Henan Province and is in the process of establishment of cement production line. The group of net assets have been transferred to the Group on 13 August 2011.

On 8 August 2011, Shandong Shanshui entered into an assets transfer agreement with a minority interest holder of Zhalaite Qi Shanshui Cement Company Limited, a subsidiary of the Group, for the acquisition of a group of net assets for a total consideration of RMB43,200,000. The group of net assets are belonged to the minority interest holder and used for the production and sales of cement. At this report date, the transfer of the group of net assets has not been finished.