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

2012 Interim Report

CONTENTS

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 2012 to 30 June 2012
"Directors"	Directors of the Company
"Board"	Board of Directors of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules of the Stock Exchange"	the Rules Governing the Listing of Securities on the Stock Exchange
"SFO"	Securities and Futures Ordinance (Cap. 571) (as amended, supplemented or otherwise modified from time to time)
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Shares"	the ordinary shares in the share capital of the Company with a nominal value of US$0.01 each
"Shareholder(s)"	holder(s) of the Share(s)
"Articles of Association"	the articles of association of the Company
"clinker"	a semi-finished product in the cement production process
"RMB"	Renminbi
"PRC"	The People's Republic of China
"Shandong Region"	Shandong Province and the nearby areas in which the Company's business operate, including Hebei Province, Tianjin etc.
"Northeast Region"	Liaoning Province and the nearby areas in which the Company's business operate, including Eastern part of Inner Mongolia etc.
"Shanxi Region"	Shanxi Province and the nearby areas in which the Company's business operate, including Shaanxi Province etc.
"Xinjiang Region"	the areas in Kashi, Xinjiang in which the Company's business operate
"National Bureau of Statistics of China"	The National Bureau of Statistics of the People's Republic of China
"NDRC"	the National Development and Reform Commission 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 – FCS, FCIS, FCPA, FAIA
(9)	Qualified Accountant	: LI Cheung Hung – FCS, FCIS, FCPA, FAIA
(10)	Principal Bankers	: China Merchants Bank China Construction Bank Corporation Bank of China
(11)	Listing Date	: 4 July 2008
(12)	Website for publication of this report	: www.shanshuigroup.com
(13)	Stock Exchange on which the Company's shares are listed	: The Hong Kong Stock Exchange
(14)	Stock code	: 00691
(15)	Stock Short Name	: Shanshui Cement
(16)	Hong Kong Share Registrar and Transfer Office	: Computershare Hong Kong Investor Services Limited
	Address	: Shops 1712-1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
(17)	Legal Advisers	
	as to PRC laws	: Commerce & Finance Law Offices
	as to Hong Kong laws	: Norton Rose Hong Kong Cleary Gottlieb Steen & Hamilton LLP
(18)	Auditor	: KPMG

1. KEY FINANCIAL DATA

(Unit: RMB'000)

	January to June 2012	January to June 2011
Revenue	**7,378,034**	7,832,210
Gross profit	**1,835,871**	2,469,518
Gross profit margin	**24.9%**	31.5%
Profit from operations	**1,453,096**	1,982,733
Profit margin from operations	**19.7%**	25.3%
EBITDA	**2,015,579**	2,410,285
EBITDA margin	**27.3%**	30.8%
Profit attributable to equity shareholders of the Company	**727,700**	1,237,021
Basic earnings per share (RMB)	**0.26**	0.44
Net cash generated from operating activities	**1,314,715**	1,826,931

	30 June 2012	31 December 2011
Total assets	**29,661,765**	25,081,673
Total liabilities	**20,578,544**	16,915,000
Equity attributable to equity shareholders of the Company	**8,399,912**	7,709,037
Net gearing ratio	**53.8%**	50.9%

2. KEY BUSINESS DATA

	January to June 2012	January to June 2011
Sales volume of cement ('000 tonnes)	**21,027**	22,314
Sales volume of clinker ('000 tonnes)	**4,179**	3,586
Sales volume of concrete ('000 m^3)	**605**	440
Unit selling price of cement (RMB/tonne)	**284.3**	289.5
Unit selling price of clinker (RMB/tonne)	**232.7**	266.7
Unit selling price of concrete (RMB/m^3)	**268.8**	251.9

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

1. CHANGES IN SHARE CAPITAL

As of 30 June 2012, our authorised share capital was US$100,000,000 divided into 10,000,000,000 Shares of par value of US$0.01 each.

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

As of 30 June 2012, the Company has issued a total of 2,815,950,200 Shares.

2. SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As of 30 June 2012, the interests or short positions of persons, other than the Directors and Chief Executive of the Company, in the Shares and underlying shares of the Company, which would be required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register maintained under section 336 of the SFO, were as follows:

Name of shareholder	Number of 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%
Deutsche Bank Aktiengesellschaft[3]	186,290,000 (L)	Person having a security interest in shares	6.62%
	69,274,285 (L)	Beneficial owner	2.46%
	65,904,668 (S)	Beneficial owner	2.34%
	3,229,000 (L)	Custodian corporation/ approved lending agent	0.11%
	344,000 (L)	Investment manager	0.01%
Hillhouse Capital Management, Ltd.[4]	255,471,000 (L)	Investment manager	9.07%
Gaoling Fund, L.P.[5]	242,305,000 (L)	Beneficial owner	8.60%
JPMorgan Chase & Co.[6]	134,999,325 (L)	Custodian corporation/ approved lending agent	4.79%
	59,420,560 (L)	Investment manager	2.11%
	3,868,484 (L)	Beneficial owner	0.14%
T. Rowe Price Associates Inc and its affiliates[7]	142,610,000 (L)	Investment manager	5.06%
Asia Cement Corporation[8]	142,349,000 (L)	Interest in controlled corporations	5.06%

Notes:

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

(2) On 28 September 2010, China Shanshui Investment Company Limited ("Shanshui Investment") and Wing Lung Bank Limited ("Wing Lung Bank") entered into a new 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.

(3) As stated in the form of disclosure of shareholder's interests submitted by Deutsche Bank Aktiengesellschaft on 25 June 2012 (the date of the relevant event set out in the form was 19 June 2012), these Shares were held via Deutsche Bank Aktiengesellschaft and its affiliates.

(4) As stated in the form of disclosure of shareholder's interests submitted by Hillhouse Capital Management, Ltd on 11 January 2012 (the date of the relevant event set out in the form was 6 January 2012), these Shares were held via Hillhouse Capital Management, Ltd and its affiliates.

(5) 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.

(6) As stated in the form of disclosure of shareholder's interests submitted by JPMorgan Chase & Co. on 18 June 2012 (the date of the relevant event set out in the form was 13 June 2012), these Shares were held via JPMorgan Chase & Co. and its affiliates.

(7) As stated in the form of disclosure of shareholder's interests submitted by T. Rowe Price Associates Inc. and its affiliates on 4 October 2011 (the date of the relevant event set out in the form was 30 September 2012), these Shares were held via T. Rowe Price Associates Inc. and its affiliates.

(8) As stated in the form of disclosure of shareholder's interests submitted by Asia Cement Corporation on 11 June 2012 (the date of the relevant event set out in the form was 4 June 2012), there Shares were held via Asia Cement Corporation and its affiliates.

Save as disclosed above, and so far as the Directors are aware, as of 30 June 2012, no person, other than Directors or the Chief Executive of the Company, had an interest or short position in the Shares or underlying shares of the Company which would need to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register maintained pursuant to Section 336 of the SFO.

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

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

4. SHARE OPTION SCHEME

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

Type of Grantee	Date of grant	Granted	Vesting period	Exercise price	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Expired during the Reporting Period	Not yet exercised during the Reporting Period
Zhang Bin, *Executive Director*	25 May 2011	Options for subscription of 5,000,000 Shares	Nil	HK$7.90	Nil	Nil	Nil	Nil	Options for subscription of 5,000,000 Shares
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 and accepted	Options for subscription of 7,300,000 Shares			Nil	Nil	Nil	Nil	Options for subscription of 7,300,000 Shares

Summary of the principal terms of the Share Option Scheme

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

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

The Shares that will be issued upon full exercise of the options currently granted under the Share Option Scheme are 7,300,000 Shares, representing approximately 0.26% of our share capital in issue (2,815,950,200 Shares) as of 30 June 2012.

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 2012, the interests of the Directors and Chief Executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) ("Associated Corporations"), which would be required to be notified to the Company and the Stock Exchange, pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 of the Listing Rules of the Stock Exchange, were as follows:

Name of Director	The Company/ Name of Associated Corporations	Nature of Interests	Number of Shares Interested[1]	Percentage of shares in issue as of 30 June 2012
Zhang Caikui	The Company	Interest in a controlled corporation	847,908,316 (L)[2]	30.11%
Zhang Bin	The Company	Beneficial owner	5,000,000 (L)[3]	0.18%

Notes:

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

(2) 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 pledged to Wing Lung Bank.

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

Save as disclosed above, as of 30 June 2012, 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.

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 16.18 of the articles of association, Mr. YU Yuchuan, Mr. JIAO Shuge and Mr. SUN Jianguo retired as directors by rotation at the 2011 annual general meeting held on 18 May 2012, 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 2012, the Group had a total of 19,032 employees. The aggregate remuneration of the employees for the Reporting Period was RMB370.5 million.

Management Discussion and Analysis

1. OPERATING ENVIRONMENT AND INDUSTRY OVERVIEW

Since early 2012, the wide spread of European sovereign-debt crisis, the sluggish growth in the developed economies and the slowdown of growth in the emerging economies had made the world economic recovery more difficult and complicated. The complex and changing internal and external environment increased the risk of economic downturn in China. In accordance with the general direction of "make progress while maintaining stability", the Chinese government achieved a steady and robust development of the overall economy by balancing the three objectives of maintaining a steady and robust economic development, adjusting the economic structure, and controlling anticipated inflation, and through implementing a proactive fiscal policy and a prudent monetary policy, vigorously expanding domestic demand and increasing investment in projects related to improving the people's well-being.

The first half of 2012 saw a gradual decline in the growth of exports, investment, and consumption as well as the continued downward trend of economic growth. China's GDP totalled RMB22.7098 trillion for this period, representing a year-on-year growth of 7.8%. However, this was the first time in the last three years that China's GDP growth rate had dipped below 8%. (Source: National Bureau of Statistics of China)

Both the price and profit margin of cement products declined significantly as compared to the same period last year as a result of intense competition between cement enterprises due to the drastic slowdown in the growth of market demand for cement products amidst an unfavourable macro-economic situation. In the first half of 2012, total cement output throughout the country was 994.16 million tonnes, representing a year-on-year increase of 5.5%, while the growth rate was down by 14.1 percentage points from the same period last year. The cement industry in China recorded a profit of RMB22.3 billion, representing a year-on-year decrease of 51.4%. (Source: NDRC)

2. COMPANY'S BUSINESS REVIEW

In the first half of 2012, the Group achieved good operating results by adhering to the guidelines of "standardization, concentration, penetration and development", speeding up the development of its core cement business while getting well-prepared for the in-depth expansion on the industrial chain, improving and refining fundamental internal management and enhancing the quality of production and operation.

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

	Added clinker capacity (Million Tonnes)	**Added cement capacity (Million Tonnes)**
New production lines:		
5000t/d clinker production line project (equipped with 9MW residual heat generation facilities) of Yingjisha Shanshui Cement Co., Ltd.	1.6	–
Cement grinding production line of Shule Shanshui Cement Co., Ltd. with an annual output of 2 million tonnes (Phase I)	–	1.0
Acquired production line:		
600,000 tonnes cement grinding production line of Weifang Ningshi Building Materials Co., Ltd	–	0.6
Total added capacity	**1.6**	**1.6**

As at 30 June 2012, the Group had a total production capacity of 85.84 million tonnes of cement and 38.95 million tonnes of clinker. The Group will speed up the construction of on-going projects, focus on improving market layout, and enhance sustained profitability.

During the Reporting Period, the Group's total sales of cement and clinker were 25.206 million tonnes, representing a year-on-year decrease of 2.7%; sales revenue was RMB7,378 million, representing a year-on-year decrease of 5.8%; and the profit for the period was RMB758 million, representing a year-on-year decline of 40.5%.

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

(I) Business analysis

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

(Unit: RMB'000)

Product	January-June 2012 Sales revenue	January-June 2012 Sales proportion	January-June 2011 Sales revenue	January-June 2011 Sales proportion	Sales revenue Year-on-year change
Cement	**5,978,280**	**81.0%**	6,460,786	82.5%	-7.5%
Clinker	**972,384**	**13.2%**	956,473	12.2%	1.7%
Concrete	**162,609**	**2.2%**	110,741	1.4%	46.8%
Others	**264,761**	**3.6%**	304,210	3.9%	-13.0%
Total	**7,378,034**	**100.0%**	7,832,210	100.0%	-5.8%

During the Reporting Period, the Company's sales revenue decreased by 5.8% to RMB7,378 million. With regard to revenue breakdown by products, cement revenue amounted to RMB5,978 million, representing a year-on-year decline of 7.5%, and clinker revenue amounted to RMB972 million, representing a year-on-year growth of 1.7%. The revenue from concrete amounted to RMB163 million, representing a year-on-year growth of 46.8%.

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

(I) Business analysis *(continued)*

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

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

Product	The reporting period Sales volume ('000 tonnes)	The corresponding period of last year Sales volume ('000 tonnes)	Sales volume change	The reporting period unit selling price (RMB/tonne)	The corresponding period of last year unit selling price (RMB/tonne)	Unit selling price change
Cement	**21,027**	22,314	-5.8%	**284.3**	289.5	-1.8%
Clinker	**4,179**	3,586	16.5%	**232.7**	266.7	-12.7%
	('000 m^3)	('000 m^3)		**(RMB/m^3)**	(RMB/m^3)	
Concrete	**605**	440	37.5%	**268.8**	251.9	6.7%

During the Reporting Period, the sales volume of cement of the Company amounted to 21.027 million tonnes, representing a year-on-year decline of 5.8%, due to the slowdown in both economy growth and investments in fixed assets in China, while the sales volume of clinker increased to 4.179 million tonnes, representing a year-on-year growth of 16.5%. The unit selling price of cement decreased by 1.8% to RMB284.3 per tonne, while the unit selling price of clinker decreased by 12.7% to RMB232.7 per tonne. The sales volume of concrete increased to 605 thousand cubic meter, representing a year-on-year growth of 37.5%. The unit selling price of concrete increased by 6.7% to RMB268.8/m^3.

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

Region	The Reporting Period unit selling price (RMB/tonne)	The corresponding period of last year unit selling price (RMB/tonne)	Change in selling price
Shandong Region	**280.1**	300.2	-6.7%
Northeastern Region	**301.4**	256.8	17.4%
Shanxi Region	**234.6**	298.4	-21.4%
Xinjiang Region	**214.8**	–	–

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

(I) Business analysis *(continued)*

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

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

During the Reporting Period, the average unit selling price of cement of our branches in Shandong Region was RMB280.1 per tonne, representing a year-on-year decrease of 6.7%, that in Northeastern Region was RMB301.4 per tonne, representing a year-on-year increase of 17.4%, that in Shanxi Region was RMB234.6 per tonne, representing a year-on-year decrease of 21.4%, and that in Xinjiang Region was RMB214.8 per tonne.

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

	January-June 2012		January-June 2011		
	Sales volume ('000 tonnes)	**Sales proportion**	Sales volume ('000 tonnes)	Sales proportion	**Change in sales volume**
High grade cement	**12,461**	**59.3%**	13,271	59.5%	-6.1%
Low grade cement	**8,566**	**40.7%**	9,043	40.5%	-5.3%

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

During the Reporting Period, sales volume of high grade cement was 12.461 million tonnes, representing a year-on-year decrease of 6.1%, and sales volume of low grade cement was 8.566 million tonnes, representing a year-on-year decrease of 5.3%.

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 2012 Sales revenue	January-June 2012 Sales proportion	January-June 2011 Sales revenue	January-June 2011 Sales proportion	Sales revenue change
Shandong Region	**5,106,488**	**69.2%**	6,253,033	79.8%	-18.3%
Northeastern Region	**1,968,893**	**26.7%**	1,551,370	19.8%	26.9%
Shanxi Region	**294,744**	**4.0%**	27,807	0.4%	960.0%
Xinjiang Region	**7,909**	**0.1%**	–	–	–
Total	**7,378,034**	**100.0%**	7,832,210	100.0%	-5.8%

Our operating companies in Shandong Region recorded sales revenue of RMB5,106 million, accounting for 69.2% of the Group's total sales revenue in the first half of 2012, representing a year-on-year decrease of 18.3%. Our operating companies in Northeastern Region reported sales revenue of RMB1,969 million, accounting for 26.7% of the Group's total sales revenue in the first half of 2012 and representing a year-on-year growth of 26.9%. The commencement of operations for operating companies in Shanxi and Xinjiang will make more contributions to the Group's sales revenue.

(II) Profit analysis

1. Key profit and loss items and their respective changes

(Unit: RMB'000)

	January-June 2012	January-June 2011	Y-O-Y changes
Revenue	**7,378,034**	7,832,210	-5.8%
Gross profit	**1,835,871**	2,469,518	-25.7%
EBITDA	**2,015,579**	2,410,285	-16.4%
Profit from operations	**1,453,096**	1,982,733	-26.7%
Profit before taxation	**1,035,271**	1,751,855	-40.9%
Profit for the period	**758,380**	1,275,005	-40.5%
Profit attributable to equity shareholders of the Company	**727,700**	1,237,021	-41.2%

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

(II) Profit analysis *(continued)*

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

During the Reporting Period, the Group recorded sales revenue of RMB7,378 million, representing a year-on-year decrease of 5.8%; profit from operations was RMB1,453 million, representing a year-on-year decrease of 26.7%; profit for the period was RMB758 million, representing a year-on-year decrease of 40.5%; profit attributable to equity shareholders of the Company was RMB728 million, representing a year-on-year decrease of 41.2%. The decrease in profit was mainly due to the fall of selling prices as a result of decline in demand.

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

(Unit: RMB'000)

Cost of sales	January-June 2012 Amount	January-June 2012 Proportion to revenue	January-June 2011 Amount	January-June 2011 Proportion to revenue	Change of proportion to revenue
Raw materials	**1,660,280**	**22.5%**	1,488,454	19.0%	3.5 P.Pt.
Coal	**1,802,002**	**24.4%**	1,886,104	24.1%	0.3 P.Pt.
Power	**783,440**	**10.6%**	808,781	10.3%	0.3 P.Pt.
Depreciation and amortisation	**463,779**	**6.3%**	384,706	4.9%	1.4 P.Pt.
Others	**832,662**	**11.3%**	794,647	10.2%	1.1 P.Pt.
Total cost of sales	**5,542,163**	**75.1%**	5,362,692	68.5%	6.6 P.Pt.

During the Reporting Period, the proportion of the Group's total cost of sales to revenue was 75.1%, representing a year-on-year increase of 6.6 percentage points. Of which, the proportion of raw materials costs to revenue was 22.5%, an increase of 3.5 percentage points compared with same period last year. The proportion of coal costs to revenue was 24.4%, an increase of 0.3 percentage points compared with same period last year. The Group's average unit purchase price of coal in the first half of 2012 decreased by 4.4% to RMB699.9/tonne compared with same period last year. As for cost reduction, output of residual heat power generation was 460 million KWH in the first half of 2012, thus reducing the cost of clinker by RMB108 million.

3. COMPANY'S FINANCIAL REVIEW

(I) Expenses during the period

(Unit: RMB'000)

	January-June 2012		January-June 2011		**Proportion to sales revenue changes**
	Amount	**Proportion to sales revenue**	Amount	Proportion to sales revenue	
Sales and marketing expenses	**127,708**	**1.7%**	121,623	1.6%	0.1 P.Pt.
Administrative expenses	**335,487**	**4.5%**	375,900	4.8%	-0.3 P.Pt.
Finance costs	**435,867**	**5.9%**	234,178	3.0%	2.9 P.Pt.
Total	**899,062**	**12.1%**	731,701	9.4%	2.7 P.Pt.

During the Reporting Period, the proportion of sales and marketing expenses to sales revenue maintained at the same level compared with the corresponding period of 2011. The proportion of administrative expenses to sales revenue declined by 0.3 percentage points as compared with the previous year. In addition, the proportion of the Group's finance costs to sales revenue increased 2.9 percentage points compared with the corresponding period of 2011, mainly due to the expansion of its financing scale.

(II) Changes in balance sheet items

(Unit: RMB'000)

	As at 30 June 2012	As at 31 December 2011	**Change**
Non-current assets	**19,721,412**	16,791,916	17.4%
Current assets	**9,940,353**	8,289,757	19.9%
Total assets	**29,661,765**	25,081,673	18.3%
Current liabilities	**8,786,533**	8,081,482	8.7%
Non-current liabilities	**11,792,011**	8,833,518	33.5%
Total liabilities	**20,578,544**	16,915,000	21.7%
Minority interest	**683,309**	457,636	49.3%
Equity attributable to equity shareholders of the Company	**8,399,912**	7,709,037	9.0%
Total liabilities and equity	**29,661,765**	25,081,673	18.3%

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

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

As of 30 June 2012, the Group's total assets were RMB29,662 million, total liabilities were RMB20,579 million and its net assets were RMB9,083 million. The net gearing ratio (net debts/(net debts + total equity)) was 53.8%, representing an increase of 2.9 percentage points compared with the end of the previous year. The Group's total current assets were RMB9,940 million, its total current liabilities were RMB8,787 million, and its net current assets were RMB1,153 million. The Group's estimated 2012 fund from operations, the banking facilities granted and net proceeds derived from issuance of US Dollar bonds 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 2012**	As at 31 December 2011
Short-term borrowings (including long-term borrowings with maturity within one year)	**3,494,750**	3,268,177
Long-term borrowings	**11,115,641**	8,197,282
Total	**14,610,391**	11,465,459

The Company's borrowings increased as a result of the capital needs for the expansion of its business. As of 30 June 2012, the Company's total borrowings were RMB14,610 million, an increase of RMB3,145 million as compared with the end of 2011. Of which, long-term borrowings with maturity more than 1 year amounted to RMB11,116 million and accounted for 76.1% of the Group's total borrowings.

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

(IV) Capital expenditures

During the Reporting Period, the capital expenditures of the Group were approximately RMB2,675 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 2012 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 2012	As at 31 December 2011
Authorised and contracted for	**2,049,682**	1,302,977
Authorised but not contracted for	**3,939,104**	2,447,206
Total	**5,988,786**	3,750,183

As of 30 June 2012, the capital commitment authorised and contracted by the Group amounted to RMB2,050 million, representing an increase of RMB747 million as compared with the beginning of the year. Furthermore, the capital commitment authorised but not contracted amounted to RMB3,939 million, representing an increase of RMB1,492 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 2012	January-June 2011
Net cash generated from operating activities	**1,314,715**	1,826,931
Net cash used in investing activities	**(2,635,739)**	(1,474,322)
Net cash generated from financing activities	**2,339,016**	3,146,885
Net change in cash and cash equivalents	**1,017,992**	3,499,494
Balance of cash and cash equivalents as at 1 January	**3,008,332**	1,144,840
Effect of foreign exchange rates change	**4,143**	(29,962)
Balance of cash and cash equivalents as at 30 June	**4,030,467**	4,614,372

During the Reporting Period, the Group's net cash generated from operating activities amounted to RMB1,315 million, representing an decrease of RMB512 million over the corresponding period of the previous year. Meanwhile, as the Group continued to undertake a number of construction projects, net cash used in investing activities amounted to RMB2,636 million, representing an increase of RMB1,161 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 decrease by RMB808 million to RMB2,339 million over the corresponding period of the previous year.

4. OUTLOOK FOR THE SECOND HALF OF THE YEAR

Operating Environment Outlook

In the second half of 2012, Shanshui Group will be pleased to see the following favourable factors:

1. The Chinese government has given top priority to "sustaining economic growth", and will strive to proceed with the major projects of the Twelfth Five-Year Plan Period on time, initiate a batch of major projects that are closely related to the whole nation and that can drive economic growth as soon as possible, and accelerate construction projects in the areas of urban planning, railway, energy conservation and environmental protection, information technology, infrastructure construction in the rural and western regions. The government will also encourage non-government investments to take part in the construction of railway, urban planning, finance, energy, telecommunications, education and medical care, with an aim to activate the vitality of civilian investment. It is expected that market demand will recover steadily, and the cement industry will be the first to benefit from such demand.

2. Since the promulgation of 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) by the State Council in 2009, the State has implemented a stringent approval policy on new cement projects which have curbed additional cement capacity. Meanwhile, China's cement industry will eliminate 275 million tonnes of obsolete capacity in 2012 (of which the goals for elimination for Shandong Province and Liaoning Province will be 37.55 million tonnes and 2.91 million tonnes respectively). With the implementation of the stringent approval system on new projects and constant elimination of obsolete capacity, the pressure of excess capacity will be relieved, thus helping to improve the supply-demand dynamics in the industry.

3. The State supports the acceleration of consolidation and reorganization in the cement industry in order to increase industrial concentration and economy of scale. This will help the Company to fully leverage on its comprehensive advantages in market presence, scale and capital and further enhance its market dominance as well as profitability.

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

Operating Environment Outlook *(continued)*

While fully foreseeing those favourable factors, we are also reminded of the uncertainties we may face in the future which are mainly in the following aspects:

1. Although it has shown the signs of stabilization and recovery in market demand, the actual demands boosted by the effect of the country's "maintaining growth" policy will take time to appear, thus the slowdown in sales growth is irreversible in the year as compared with 2011, and competition between cement enterprises will still be extremely intense.

2. The trend of supply-demand dynamics in the second half of the year will lead to more price fluctuations, thus squeezing corporate profit margins. Even if prices will recover in certain extent, the possibility that the average price of cement in the year will restore to the level of 2011 is slim.

3. Enterprises, in particular, small and medium-sized enterprises in many domestic industries are facing operating pressure, and this "butterfly effect" will post an adverse effect on the cement industry.

After a comprehensive analysis of the domestic economic situation in the second half of the year, we are of the view that there will be both opportunities and challenges in the cement industry. The profit margin of an enterprise will increasingly depend on market demand, its regional pricing ability as well as the level of internal control and cost management.

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

Business Outlook of the Company

In the second half of the year, the Group will continue to adhere to its work guideline of "promoting development on one hand while strengthening management on the other hand" and make more efforts in the following key tasks:

1. **Take advantage of its edge in regional control to lead an orderly competition in the market.** For the two core operating regions namely Shandong and Northeastern China, the Group will continue to play its leading role in stabilizing prices so as to maintain a reasonable profit margin for the Company.

2. **Continue to promote total budget management to improve the Company's operation efficiency.** Based on the operating conditions of its subsidiaries, the Company will take corresponding measures to carry out "one-to-one" supervision over each subsidiary, in an effort to further tap potentials and reduce energy consumption, optimize performance indicators, improve internal control, reduce production costs and increase profit margin.

3. **Further improve market presence to enhance regional control.** The Group will tightly seize opportunities brought by the State's policy to encourage mergers and acquisitions and reorganization by conglomerates so as to increase industrial concentration and enhance its dominance in terms of market position and price.

4. **Strengthen surveillance on financial operations to manage operation and investment risks.** The Company will strengthen its fundamental work which focuses on financial management and fund management. Adhering to the principle of "maximizing investment return", the Company will make investment based on scientific decision-making in order to achieve a steady development and maintain capital safety and healthy financial condition.

Last but not least, Shanshui Group has extensive experience in dealing with all kinds of difficult and complicated situations. We have faith in our ability that we, by taking a series of effective measures, will be able to achieve our expected operating performance targets and make fruitful returns to our investors for their continued trust and support.

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 2012.

3. CONTINUING CONNECTED TRANSACTIONS

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

4. AUDIT COMMITTEE

The audit committee comprises the three independent non-executive Directors of the Company who, together with the management, considered and approved the Group's unaudited interim (half-year) financial statements for 2012 prepared in accordance with IFRS, and reviewed the unaudited interim results of the Group for the six months ended 30 June 2012.

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

For the six months ended 30 June 2012 – Unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2012	2011
	Note	**RMB'000**	RMB'000
Revenue	3, 4&5	**7,378,034**	7,832,210
Cost of sales		**(5,542,163)**	(5,362,692)
Gross profit		**1,835,871**	2,469,518
Other revenue	6	**98,000**	72,450
Other net expenses	6	**(17,580)**	(61,712)
Selling and marketing expenses		**(127,708)**	(121,623)
Administrative expenses		**(335,487)**	(375,900)
Profit from operations		**1,453,096**	1,982,733
Finance costs	7	**(435,867)**	(234,178)
Share of profits less losses of an associate		**18,042**	3,300
Profit before taxation		**1,035,271**	1,751,855
Income tax	8	**(276,891)**	(476,850)
Profit for the period		**758,380**	1,275,005
Attributable to:			
Equity shareholders of the Company		**727,700**	1,237,021
Non-controlling interests		**30,680**	37,984
Profit for the period		**758,380**	1,275,005
Earnings per share	10		
Basic		**0.26**	0.44
Diluted		**0.26**	0.44

The notes on pages 34 to 54 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 22.

Consolidated statement of comprehensive income

For the six months ended 30 June 2012 – Unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2012	2011
	Note	**RMB'000**	RMB'000
Profit for the period		**758,380**	1,275,005
Other comprehensive income for the period (after tax and reclassification adjustments):			
Exchange differences on translation of:			
financial statements of overseas subsidiaries		**5,025**	(1,678)
Available-for-sales securities:			
net movement in fair value reserve	9	**450**	52
Total comprehensive income for the period		**763,855**	1,273,379
Attributable to:			
Equity shareholders of the Company		**733,175**	1,235,395
Non-controlling interests		**30,680**	37,984
Total comprehensive income for the period		**763,855**	1,273,379

The notes on pages 34 to 54 form part of this interim financial report.

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

At 30 June 2012- Unaudited
(Expressed in Renminbi)

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Non-current assets			
Fixed assets	11		
– Property, plant and equipment		**14,695,091**	12,786,820
– Interests in leasehold land held for own use under operating leases		**2,314,207**	1,922,627
		17,009,298	14,709,447
Intangible assets		**427,849**	390,349
Goodwill		**1,814,372**	1,297,770
Other financial assets		**80,241**	95,083
Investment in an associate		**83,914**	65,872
Other long-term assets		**130,765**	89,583
Deferred tax assets		**174,973**	143,812
		19,721,412	16,791,916
Current assets			
Inventories	12	**2,191,320**	1,924,389
Trade and bills receivable	13	**1,388,708**	1,623,504
Other receivables and prepayments	14	**2,279,368**	1,663,294
Pledged bank deposits	15	**50,490**	70,238
Cash and cash equivalents	16	**4,030,467**	3,008,332
		9,940,353	8,289,757
Current liabilities			
Short-term and current portion of interest-bearing borrowings	17(a)	**3,392,509**	3,167,200
Current portion of loans from equity shareholders	17(b)	**102,241**	100,977
Trade and bills payable	18	**2,681,678**	2,290,501
Other payables and accrued expenses	19	**2,349,390**	2,111,602
Current taxation		**238,118**	410,069
Obligation under finance leases		**22,597**	1,133
		8,786,533	8,081,482
Net current assets		**1,153,820**	208,275
Total assets less current liabilities		**20,875,232**	17,000,191

The notes on pages 34 to 54 form part of this interim financial report.

Consolidated statement of financial position

At 30 June 2012- Unaudited
(Expressed in Renminbi)

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Non-current liabilities			
Interest-bearing borrowings, less current portion	17(a)	**2,476,182**	2,046,700
Loans from equity shareholders, less current portion	17(b)	**179,539**	230,222
Corporate bonds	20	**8,459,920**	5,920,360
Obligation under finance leases		**43,288**	4,779
Defined benefit obligations		**161,785**	165,240
Deferred income	21	**324,821**	327,110
Long-term payables		**48,102**	55,644
Deferred tax liabilities		**98,374**	83,463
		11,792,011	8,833,518
NET ASSETS		**9,083,221**	8,166,673
CAPITAL AND RESERVES			
Share capital		**193,198**	193,198
Reserves		**8,206,714**	7,515,839
Total equity attributable to equity shareholders of the Company		**8,399,912**	7,709,037
Non-controlling interests		**683,309**	457,636
TOTAL EQUITY		**9,083,221**	8,166,673

The notes on pages 34 to 54 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 2012 – Unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Exchange reserves RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 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 capital contribution to subsidiaries	–	–	–	–	–	–	–	–	66,950	66,950
Acquisitions 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 and 1 July 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
Changes in equity for the six months ended 31 December 2011:										
Increase in non-controlling interests attributable to acquisition of subsidiaries and capital contribution to subsidiaries	–	–	–	–	–	–	–	–	141,880	141,880
Acquisitions of non-controlling interests	–	–	–	108,725	–	–	–	108,725	(281,696)	(172,971)
Equity settled share-based transactions	–	–	–	(4,370)	–	–	–	(4,370)	–	(4,370)
Dividends approved in respect of the previous year	–	–	–	–	–	–	(338,160)	(338,160)	–	(338,160)
Transfer between reserves	–	–	263,175	–	–	–	(263,175)	–	–	–
Total comprehensive income for the period	–	–	–	–	17,539	(927)	988,269	1,004,881	48,380	1,053,261
Balance at 31 December 2011	193,198	3,451,085	761,511	243,448	(14,832)	3,169	3,071,458	7,709,037	457,636	8,166,673
Balance at 1 January 2012	**193,198**	**3,451,085**	**761,511**	**243,448**	**(14,832)**	**3,169**	**3,071,458**	**7,709,037**	**457,636**	**8,166,673**
Changes in equity for the six months ended 30 June 2012:										
Increase in non-controlling interests attributable to acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**197,693**	**197,693**
Acquisition of non-controlling interests	**–**	**–**	**–**	**(42,300)**	**–**	**–**	**–**	**(42,300)**	**(2,700)**	**(45,000)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**5,025**	**450**	**727,700**	**733,175**	**30,680**	**763,855**
Balance at 30 June 2012	**193,198**	**3,451,085**	**761,511**	**201,148**	**(9,807)**	**3,619**	**3,799,158**	**8,399,912**	**683,309**	**9,083,221**

The notes on pages 34 to 54 form part of this interim financial report.

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

For the six months ended 30 June 2012 – Unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2012	2011
	Note	**RMB'000**	RMB'000
Cash generated from operations		**1,800,295**	2,207,905
Tax paid		**(485,580)**	(380,974)
Net cash generated from operating activities		**1,314,715**	1,826,931
Net cash used in investing activities		**(2,635,739)**	(1,474,322)
Net cash generated from financing activities		**2,339,016**	3,146,885
Net increase in cash and cash equivalents		**1,017,992**	3,499,494
Cash and cash equivalents at 1 January	16	**3,008,332**	1,144,840
Effect of foreign exchange rates changes		**4,143**	(29,962)
Cash and cash equivalents at 30 June	16	**4,030,467**	4,614,372

The notes on pages 34 to 54 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 24 August 2012.

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 2011, except for the accounting policy changes that are expected to be reflected in the 2012 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 2011.

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 2011 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 2011 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 2011 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 March 2012.

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*
- Amendments to IAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*

These developments have had no material impact on the contents of the Group's financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

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

The Group manages its businesses by geographical areas. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following four reportable segments. Each reportable segment has aggregated those operating segments which located in the geographical areas.

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

3 SEGMENT REPORTING *(continued)*

(a) Segment results

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

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 2012					Six months ended 30 June 2011				
	Shandong Province	**Northeastern China**	**Shanxi Province**	**Xinjiang Region**	**Total**	Shandong Province	Northeastern China	Shanxi Province	Xinjiang Region	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	**5,106,488**	**1,968,893**	**294,744**	**7,909**	**7,378,034**	6,253,033	1,551,370	27,807	–	7,832,210
Inter-segment revenue	**48,426**	**–**	**–**	**–**	**48,426**	14,656	5,069	–	–	19,725
Reportable segment revenue	**5,154,914**	**1,968,893**	**294,744**	**7,909**	**7,426,460**	6,267,689	1,556,439	27,807	–	7,851,935
Reportable segment profit/(loss) (adjusted profit/(loss) before taxation)	**1,200,690**	**236,235**	**29,940**	**1,566**	**1,468,431**	1,960,058	153,733	(2,252)	–	2,111,539

3 SEGMENT REPORTING *(continued)*

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	**7,426,460**	7,851,935
Elimination of inter-segment revenue	**(48,426)**	(19,725)
Consolidated turnover	**7,378,034**	7,832,210

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Profit		
Reportable segment profit	**1,468,431**	2,111,539
Elimination of inter-segment profits	**(4,903)**	(1,364)
Reportable segment profit derived from group's external customers	**1,463,528**	2,110,175
Share of profits less losses of an associate	**18,042**	3,300
Unallocated finance costs	**(393,631)**	(205,568)
Unallocated head office and corporate expenses	**(52,668)**	(156,052)
Consolidated profit before taxation	**1,035,271**	1,751,855

4 REVENUE

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Sale of cement and clinker	**6,950,664**	7,417,259
Sale of other products and rendering of services	**427,370**	414,951
	7,378,034	7,832,210

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 EXPENSES

	Note	Six months ended 30 June 2012 RMB'000	Six months ended 30 June 2011 RMB'000
Other revenue			
Interest income on bank deposits		**12,272**	9,778
Interest income on loans due from a third party	14	**5,585**	–
Interest income on loans to an associate		**2,558**	–
Government grants		**69,393**	54,762
Amortisation of deferred income		**8,192**	7,910
		98,000	72,450
Other net expenses			
Net foreign exchange (losses)/gain		**(17,499)**	10,122
Net losses from disposal of fixed assets		**(108)**	(2,108)
Penalty income		**440**	1,614
Impairment losses on other long-term assets		**–**	(66,935)
Others		**(413)**	(4,405)
		(17,580)	(61,712)

7 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Note	Six months ended 30 June 2012 RMB'000	Six months ended 30 June 2011 RMB'000
Interest on interest-bearing borrowings and corporate bonds		**459,601**	232,883
Less: capitalised interest expenses	(i)	**(44,707)**	(15,575)
Net interest expenses		**414,894**	217,308
Unwinding of discount	(ii)	**3,531**	11,968
Bank charges		**15,595**	4,702
Finance charges on obligations under finance lease		**1,847**	200
		435,867	234,178

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 6.12% for the six months ended 30 June 2012 and 2011 respectively.

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Defined benefit plans	**2,783**	3,067
Acquisition consideration payable	**748**	8,901
	3,531	11,968

(b) Other items

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Depreciation	**474,893**	399,139
Amortisation		
– land lease premium	**24,414**	20,361
– intangible assets	**30,248**	25,113
– other long-term assets	**14,886**	7,862
Operating lease charges	**11,210**	7,892

8 INCOME TAX

(a) Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Current tax expenses		
Provision for the PRC income tax	**310,064**	494,305
Deferred taxation		
Origination and reversal of temporary differences	**(33,173)**	(17,455)
	276,891	476,850

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 2012 and 2011.

(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 2012 (corresponding period in 2011: 25%), except for the following:

Continental (Shandong) Cement Corporation ("Kangda Cement") was registered as a foreign invested enterprise and was 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 2012 is the fifth profit-making year of Kangda Cement, therefore, the applicable Corporate Income Tax rate for the six months ended 30 June 2012 is 12.5% (corresponding period in 2011: 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	
	2012	2011
	RMB'000	RMB'000
Changes in fair value recognised during the period	**450**	52
Net movement in the fair value reserve during the period recognised in other comprehensive income	**450**	52

(Expressed in Renminbi unless otherwise indicated)

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2012 is based on the profit attributable to ordinary equity shareholders of the Company for the period of RMB727,700,000 (corresponding period in 2011: RMB1,237,021,000) and the weighted average number of ordinary shares of 2,815,950,200 (corresponding period in 2011: 2,815,950,200) 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 RMB727,700,000 (corresponding period in 2011: RMB1,237,021,000) and the weighted average number of ordinary shares 2,815,950,200 (corresponding period in 2011: 2,816,294,824), calculated as follows:

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

	Six months ended 30 June	
	2012	2011
Weighted average number of ordinary shares (basic)	**2,815,950,200**	2,815,950,200
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**–**	344,624
Weighted average number of ordinary shares (diluted)	**2,815,950,200**	2,816,294,824

11 FIXED ASSETS

During the six months ended 30 June 2012, the addition of fixed assets of the Group amounted to RMB2,802,095,000 (corresponding period in 2011: RMB822,904,000). Fixed assets valued at RMB1,593,364,000 were acquired through business combination (see Note 23). Items of fixed assets with net book value totaling RMB2,937,000 were disposed of during the six months ended 30 June 2012 (corresponding period in 2011: RMB5,108,000), resulting in a loss on disposal of RMB108,000 (corresponding period in 2011: loss on disposal of RMB2,108,000).

12 INVENTORIES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Raw materials	**854,120**	807,862
Semi-finished goods	**651,038**	482,604
Finished goods	**372,365**	383,225
Spare parts	**313,797**	250,698
	2,191,320	1,924,389

13 TRADE AND BILLS RECEIVABLE

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Bills receivable	**722,826**	1,117,960
Trade debtors	**736,787**	592,564
Less: allowance for doubtful debts	**(70,905)**	(87,020)
	1,388,708	1,623,504

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 2012 RMB'000	At 31 December 2011 RMB'000
Current	**1,140,998**	1,393,917
Less than 3 month past due	**163,999**	87,172
3 to 6 months past due	**21,882**	107,369
6 to 12 months past due	**34,824**	16,916
More than 12 months past due	**27,005**	18,130
Amount past due	**247,710**	229,587
	1,388,708	1,623,504

13 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.

14 OTHER RECEIVABLES AND PREPAYMENTS

	Note	**At 30 June 2012 RMB'000**	At 31 December 2011 RMB'000
Prepayments for raw materials		**166,945**	123,757
Prepayments for long-lived assets		**847,542**	550,825
VAT recoverables		**351,322**	313,087
Amount due from related parties	25(b)	**2,964**	2,999
Amount due from third parties		**340,682**	658,532
Loans due from a third party	(i)	**546,377**	–
Others		**23,536**	14,094
		2,279,368	1,663,294

Note:

(i) Loans due from a third party of RMB546,377,000 represent that Bohai Cement (Huludao) Co., Ltd. ("Bohai Cement"), a newly acquired subsidiary of the Group (see Note 23), lent the loan to a third party, which bear interest at the average monthly bank loans interest rates of Bohai Cement. The loans are unsecured and recoverable on demand.

15 PLEDGED BANK DEPOSITS

Pledged bank deposits in the amounts of RMB50,490,000 (31 December 2011: RMB70,238,000) were mainly related to the bank guarantee facilities in relation to bills payables and bidding deposit.

(Expressed in Renminbi unless otherwise indicated)

16 CASH AND CASH EQUIVALENTS

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Cash at bank and in hand	**4,030,467**	3,008,332

17 LOANS AND BORROWINGS

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

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Long-term interest-bearing borrowings:			
Bank loans – Secured	(i)	**3,300,300**	2,558,000
Bank loans – Unsecured	(ii)	**1,948,000**	2,354,900
Loan from government – Unsecured	(iii)	**9,091**	10,000
		5,257,391	4,922,900
Less: Current portion of long-term bank loans		**(2,781,209)**	(2,876,200)
Interest-bearing borrowings, less current portion		**2,476,182**	2,046,700

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
After one year but within two years	**1,613,909**	1,517,200
After two years but within five years	**557,727**	484,500
After five years	**304,546**	45,000
Total	**2,476,182**	2,046,700

17 LOANS AND BORROWINGS *(continued)*

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

	Note	**At 30 June 2012 RMB'000**	At 31 December 2011 RMB'000
Short-term interest-bearing borrowings:			
Bank loans – Secured	(iv)	**461,300**	211,000
Bank loans – Unsecured	(ii)	**150,000**	80,000
		611,300	291,000
Add: Current portion of long-term bank loans		**2,781,209**	2,876,200
Short-term and current portion of interest-bearing borrowings:		**3,392,509**	3,167,200

Notes:

(i) The loans of RMB11,500,000 (2011: RMB113,000,000) as at 30 June 2012, 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 RMB1,948,000,000 (2011: RMB2,354,900,000) and current bank loans with amount of RMB150,000,000 (2011: RMB80,000,000) 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 annually from 2012 to 2022.

(iv) Current secured bank loans carried annual interest rates ranging from 6.89% to 7.22% (corresponding period in 2011: 5.38% to 6.89%) for the six months ended 30 June 2012. Current unsecured bank loans carried annual interest rate 7.22% (corresponding period in 2011: 5.31% to 6.63%) for the six months ended 30 June 2012.

17 LOANS AND BORROWINGS *(continued)*

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

	Note	**At 30 June 2012 RMB'000**	At 31 December 2011 RMB'000
Long-term loans from equity shareholders – Secured	(i)	**281,780**	331,199
Less: Current portion of loans from equity shareholders		**(102,241)**	(100,977)
Loans from equity shareholders, less current portion		**179,539**	230,222

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 4.25% per annum and are repayable bi-annually from 2010 to 2015 and are secured by certain items of property, plant and equipment of the subsidiaries.

18 TRADE AND BILLS PAYABLE

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Trade payables	**2,645,835**	2,213,579
Bills payable	**35,843**	76,922
	2,681,678	2,290,501

As at 30 June 2012 and 31 December 2011, all trade and bills payable of the Group are repayable on demand except for bills payable which are repayable within 6 months. All trade and bills payable are expected to be settled within one year.

19 OTHER PAYABLES AND ACCRUED EXPENSES

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Customer deposits and receipts in advance		**787,294**	403,780
Accrued payroll and welfare		**127,628**	272,665
Taxes payable other than income tax		**286,620**	153,008
Staff compensation and termination provisions		**174,813**	175,657
Amount due to related parties	25(b)	**498**	702
Payable to third parties of acquired subsidiaries		**127,068**	140,263
Acquisition consideration payable		**378,417**	586,997
Current portion of long-term payables		**28,396**	24,437
Accrued expenses and other payables		**438,656**	354,093
		2,349,390	2,111,602

20 CORPORATE BONDS

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Corporate bonds	**8,459,920**	5,920,360

Shandong Shanshui Cement Group Company Limited issued two three-year corporate bonds of RMB1 billion and RMB0.9 billion to corporate investors in the PRC debenture market on 11 October 2010 and 25 March 2011 respectively. These three-year corporate bonds bear fixed interest rates of 4.2% and 5.78% per annum, respectively, and interests are paid annually. Interest payable for the current period was included in other payables.

The Company issued three corporate bonds of USD0.4 billion (five-year period), RMB1.5 billion (three-year period) and USD0.4 billion (five-year period) to corporate investors in the Singapore Exchange Ltd. on 25 May 2011, 15 July 2011 and 20 April 2012 respectively. These three corporate bonds bear fixed interest rates of 8.5%, 6.5% and 10.5% per annum, respectively, and interests are paid semi-annually. Interest payable for the current period was included in other payables.

21 DEFERRED INCOME

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
At 1 January	**327,110**	337,095
Additions	**5,903**	6,640
Recognised in consolidated income statement	**(8,192)**	(16,625)
At 30 June/31 December	**324,821**	327,110

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

22 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	
	2012	2011
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the interim period	**551,914**	343,799
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 18 May 2012, a final dividend of HKD0.242 per share totaling HKD681,459,948.40 (inclusive of applicable tax, equivalent to RMB551,914,000) in respect of the year ended 31 December 2011 was approved on 18 May 2012.

23 ACQUISITIONS

The Group acquired the equity interests of the following entity engaged in cement business in Shandong Province, Shanxi Province, Liaoning Province and Inner-Mongolia Autonomous Region during the six months ended 30 June 2012. The acquisition is expected to provide the Group with an increased market share in the respective regions. The fair value of net identifiable assets of these acquirees is determined based on a preliminary valuation carried out by a qualified independent valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The fair value has been determined on a provisional basis and is subject to change pending finalisation of the valuation. The finalisation of the valuation could affect the amounts assigned to the assets and the related depreciation/amortisation charges for these assets and the amounts of goodwill/discount recognised.

From the date of acquisition to 30 June 2012, these acquirees contributed revenue of RMB399,206,000 and net profit of RMB24,190,000. If these acquisitions had occurred on 1 January 2012, management estimates that consolidated revenue would have been RMB7,486,398,000 and consolidated profit for the period would have been RMB736,551,000.

(Expressed in Renminbi unless otherwise indicated)

23 ACQUISITIONS *(continued)*

Name of company	Voting right	Date of acquisition	Principal activities
Rushan Changcheng Cement Co., Ltd. 乳山長城水泥有限公司	67%	7 January 2012	Production and sale of cement
Liaoning Dongxin Cement (Group) Co., Ltd 遼寧東鑫水泥（集團）有限公司	80%	10 January 2012	Production and sale of cement and clinker
Shanxi Huigong Changjing Cement Co., Ltd 山西匯功昌靖水泥有限公司	55%	6 February 2012	Production and sale of cement and clinker
Chifeng Shiyu Cement Manufacturing Co., Ltd 赤峰石鈺水泥製造有限公司	80%	30 March 2012	Production and sale of cement
Bohai Cement 渤海水泥（葫蘆島）有限公司	70%	8 April 2012	Production and sale of cement and clinker
Weifang Ningshi Building Materials Co.,Ltd. 濰坊凝石建材有限公司	100%	28 April 2012	Production and sale of cement
Huading Building Materials Co.,Ltd 華鼎建築材料有限公司	100%	6 June 2012	Production and sale of concrete

(Expressed in Renminbi unless otherwise indicated)

23 ACQUISITIONS *(continued)*

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

	Pre-acquisition carrying amount	Fair value adjustment	Recognised values on acquisition
	RMB'000	RMB'000	RMB'000
Fixed assets	1,567,621	25,743	1,593,364
Cash and cash equivalents	97,259	–	97,259
Intangible assets	17,880	47,105	64,985
Deferred tax assets	1,437	4,705	6,142
Trade and other receivables	858,849	–	858,849
Inventories	194,546	–	194,546
Trade and other payables	(1,317,030)	–	(1,317,030)
Short-term loans	(746,300)	–	(746,300)
Long-term payables	(193,493)	–	(193,493)
Deferred income	(5,903)	–	(5,903)
Deferred tax liabilities	–	(22,917)	(22,917)
Net identifiable assets	474,866	54,636	529,502
Non-controlling interest arising on business combination			(197,640)
Goodwill arising on acquisition			516,602
Total purchase consideration			848,464
Satisfied by:			
Consideration payable			377,053
Cash paid			471,411
			848,464
Cash flow in respect of the acquisition:			
Cash paid by the Group			471,411
Less: Cash acquired			(97,259)
Net cash outflow in respect of the acquisition			374,152

24 COMMITMENTS

(a) Capital commitments

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Authorised and contracted for		
– the acquisitions of fixed assets	**2,049,682**	1,081,267
– the acquisitions of subsidiaries	**–**	221,710
Authorised but not contracted for		
– the acquisitions of fixed assets	**3,939,104**	2,447,206
	5,988,786	3,750,183

(b) Operating lease commitments

At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 1 year	**16,441**	16,002
After 1 year but within 2 years	**16,393**	15,914
After 2 years but within 5 years	**47,342**	46,853
After 5 years	**113,785**	127,655
	193,961	206,424

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.

25 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions

	Note	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Recurring transactions			
Sales to:			
– Dong'e Shanshui Dongchang Cement Co., Ltd. ("Dong'e Shanshui")	(i)	**24,013**	47,261
Purchase from:			
– Dong'e Shanshui	(i)	**–**	2,418
Non-recurring transactions			
Loans from related parties and related interest expenses:			
– Jinan Shanshui Group Co., Ltd. ("Jinan Shanshui")		**–**	200
– IFC		**9,314**	8,766
		9,314	8,966
Loans to an associate and related interest income:			
– Dong'e Shanshui	(ii)	**2,561**	46,642
Repayment of loans to an associate and related interests by:			
– Dong'e Shanshui		**18,000**	1,500
Repayment of loans from related parties and related interests to:			
– IFC		**58,931**	70,724
– Jinan Shanshui		**–**	1,400
		58,931	72,124

Notes:

(i) These represent sales of coal to Dong'e Shanshui 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.

(Expressed in Renminbi unless otherwise indicated)

25 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Balances with related parties

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Accounts receivables due from:		
– Dong'e Shanshui	**6,898**	3,235
Prepayments to:		
– Dong'e Shanshui	**916**	953
Advanced to:		
– Dong'e Shanshui	**1,801**	149
Other receivables due from:		
– China Shanshui Investment Co., Ltd.	**707**	705
– Jinan Shanshui Group Property Development Co., Ltd.	**1,341**	1,341
	2,048	2,046
Other financial assets due from		
– Dong'e Shanshui	**73,156**	88,598
Other payables due to:		
– Dong'e Shanshui	**–**	6
– IFC	**498**	696
	498	702
Loans due to:		
– IFC	**281,780**	331,199

(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	
	2012 RMB'000	2011 RMB'000
Salary, allowances and other benefits	**1,289**	6,277
Contribution to defined contribution retirement plans	**60**	65
Equity compensation benefits	**–**	18,876
	1,349	25,218