CHINA TIANRUI GROUP CEMENT COMPANY LIMITED

中國天瑞集團水泥有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1252

2011
ANNUAL REPORT


天瑞水泥

CONTENTS

CORPORATE INFORMATION

REGISTERED NAME OF THE COMPANY

China Tianrui Group Cement Company Limited

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

01252

EXECUTIVE DIRECTORS

Mr. Li Heping
Mr. Liu Wenying
Mr. Yu Yagang

NON-EXECUTIVE DIRECTORS

Mr. Li Liufa
Mr. Tang Ming Chien

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Yanmou
Mr. Poon Chiu Kwok
Mr. Song Quanqi
Mr. Ma Chun Fung Horace

AUDIT COMMITTEE

Mr. Ma Chun Fung Horace (Chairman)
Mr. Poon Chiu Kwok
Mr. Wang Yanmou

NOMINATION COMMITTEE

Mr. Wang Yanmou (Chairman)
Mr. Song Quanqi
Mr. Li Heping

PRINCIPAL BANKERS

Bank of China, Henan Branch
Agricultural Bank of China, Henan Branch
China Construction Bank, Henan Branch
Bank of Communications, Henan Branch
Guangfa Bank, Zhengzhou Branch
China Minsheng Bank, Zhengzhou Branch

REGISTERED OFFICE

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KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 63 Guangcheng Road East
Ruzhou City
Henan Province
PRC

PLACE OF BUSINESS IN HONG KONG

Rooms 2201-2203, 22/F
World-Wide House
19 Des Voeux Road Central, Hong Kong

COMPANY WEBSITE

http://www.trcement.com

CORPORATE INFORMATION

REMUNERATION COMMITTEE

Mr. Song Quanqi (Chairman)
Mr. Poon Chiu Kwok
Mr. Liu Wenying

JOINT COMPANY SECRETARIES

Mr. Yu Chunliang
Mr. Yao Yan Ping, Francis

AUTHORIZED REPRESENTATIVES

Mr. Liu Wenying
Mr. Yu Chunliang

LEGAL ADVISERS

As to Hong Kong law

Morrison & Foerster
33/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law

Commerce & Finance Law Offices
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A12 Jianguomenwai Avenue
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PRC

CAYMAN ISLANDS SHARE REGISTRAR AND SHARE TRANSFER AGENT

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KY1-1111
Cayman Islands

COMPLIANCE ADVISER

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Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

AUDITORS

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88 Queensway
Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

INVESTORS AND MEDIA RELATIONS ADVISOR

Porda Havas Finance Communication (Group) Co., Ltd
Units 2009-2018
20th Floor, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

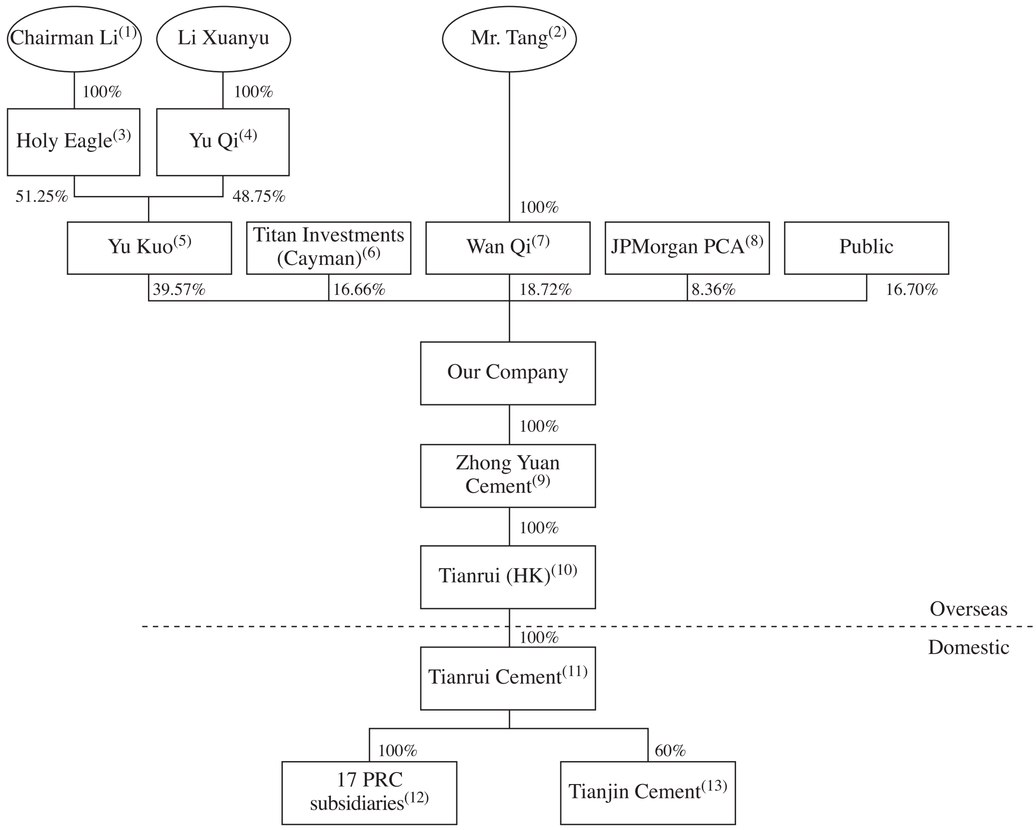
FINANCIAL HIGHLIGHT

	2011 RMB'000	2010 RMB'000
Revenue	**8,263,395**	6,129,438
Gross profit	**2,432,928**	1,049,180
Profit before tax	**1,686,553**	526,704
Profit attributable to owners of the Company	**1,274,538**	396,833
Earnings per share		
Basis (RMB)	**0.63**	0.20
Diluted (RMB)	**0.63**	N/A
Net assets	**5,554,610**	3,536,112
Total assets	**17,237,845**	13,682,166

	2011	2010
Current ratio	**0.63**	0.47
Inventory turnover days	**62.7**	52.3
Trade receivables turnover days	**8.7**	9.6
Trade payables turnover days	**111.6**	74.0
Gross profit margin	**29.4%**	17.1%
Net gearing ratio	**89.7%**	128.1%

CORPORATE STRUCTURE

As at 31 December 2011, the corporate structure of our Group was as follows:



Notes:

(1) "Chairman Li" refers to Mr. Li Liufa (李留法), the founder, chairman and controlling Shareholder of our Group.

(2) "Mr. Tang" refers to Mr. Tang Ming Chien (唐明千), a Canadian citizen and the sole shareholder of Wan Qi Company Limited.

(3) "Holy Eagle" refers to Holy Eagle Company Limited (神鷹有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by Chairman Li.

(4) "Yu Qi" refers to Yu Qi Company Limited (煜祺有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by Mr. Li Xuanyu, a son of Chairman Li.

(5) "Yu Kuo" refers to Yu Kuo Company Limited (煜闊有限公司), a company incorporated in the BVI with limited liability, which is 51.25% owned by Holy Eagle and 48.75% owned by Yu Qi.

(6) "Titan Investments" refers to Titan Investments Limited, a company incorporated in the Cayman Islands with limited liability.

(7) "Wan Qi" refers to Wan Qi Company Limited, a company established in the BVI with limited liability and wholly owned by Mr. Tang.

(8) "JPMorgan PCA" refers to JPMorgan PCA Holdings (Mauritius) I Limited, a company established in Mauritius with limited liability.

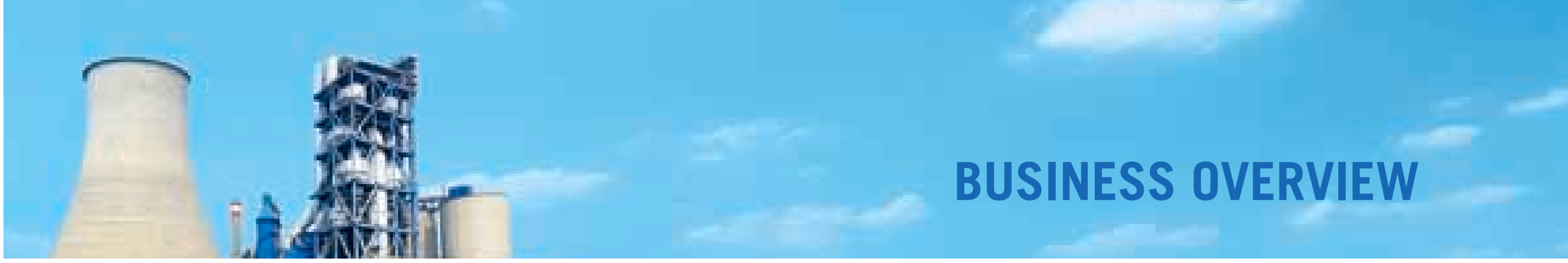
(9) “Zhong Yuan Cement ” refers to Zhong Yuan Cement Company Limited (中原水泥有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of our Company.

(10) “Tianrui (HK)” refers to China Tianrui (Hong Kong) Company Limited (中國天瑞（香港）有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of our Company.

(11) “Tianrui Cement ” refers to Tianrui Group Cement Company Limited (天瑞集團水泥有限公司), a wholly foreign-owned enterprise established in the PRC with limited liability and a wholly-owned subsidiary of our Company.

(12) The 17 wholly-owned PRC subsidiaries of our Group are Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司, “Ruzhou Cement”), Tianrui Group Zhoukou Cement Company Limited (天瑞集團周口水泥有限公司, “Zhoukou Cement”), Weihui Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司, “Weihui Cement”), Shangqiu Tianrui Cement Company Limited (商丘天瑞水泥有限公司, “Shangqiu Cement”), Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司, formerly known as Tianrui Group Xingyang Cement Company Limited, 天瑞集團滎陽水泥有限公司“Zhengzhou Cement (Xingyang)”), Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司, “Dalian Cement”), Yingkou Tianrui Cement Company Limited (營口天瑞水泥有限公司 , “Yingkou Cement”), Tianrui Group Nanzhao Cement Company Limited (天瑞集團南召水泥有限公司), Liaoyang Tianrui Cement Company Limited (遼陽天瑞水泥有限公司, “Liaoyang Cement”), Yuzhou Zhongjin Cement Company Limited (禹州市中錦水泥有限公司, “Yuzhou Cement”), Tianrui Group Xuchang Cement Company Limited (天瑞集團許昌水泥有限公司), Tianrui Group Guangshan Cement Company Limited (天瑞集團光山水泥有限公司“Guangshan Cement”), Zhengzhou Tianrui Cement Company Limited (鄭州天瑞水泥有限公司 , “Zhengzhou Tianrui”), Tianrui Group Xiaoxian Cement Company Limited (天瑞集團蕭縣水泥有限公司), Tianrui Group Ningling Cement Company Limited (天瑞集團寧陵水泥有限公司), Lushan Antai Cement Company Limited (魯山縣安泰水泥有限公司 , “Antai Cement”), and Yuzhou Zhongjin Mining Company Limited (禹州中錦礦業有限公司).

(13) “Tianjin Cement” refers to Tianjin Tianrui Cement Company Limited (天津天瑞水泥有限公司), a company established in the PRC with limited liability and a subsidiary of our Company. The others shareholders of Tianrui Cement are Wang Aimin and Li Ji’ang while each of them holds a 20% of the equity interest in Tianjin Cement.



BUSINESS OVERVIEW

Our Group is one of the top 12 national cement producers enjoying support from the PRC government, and is also the only non-state-owned enterprise designated by the Ministry of Industry and Information Teachnology of the PRC as one of the five leading cement companies that the PRC government supports for undertaking cement industry-specific mergers and consolidation in the central China region. We are a leading clinker and cement producer in Henan and Liaoning provinces, and we rank the first place among the top 30 enterprises in construction material industry in Henan province recognized by the Department of Industry and Information Technology of Henan Province in February 2012. As a national enterprise enjoying support from the PRC government and a regional leader, we have possessed vast competitive strengths:

- **Strong production capability and first-class technologies.** As of 31 December 2011, our Group has a total of 15 clinker production lines and 35 cement grinding lines, with an annual clinker and cement production capacity of 22.2 million tonnes and 35.2 million tonnes, respectively. All of our clinker production lines are New Dry Process clinker production lines (NSP technology) equipped with residual heat power generation equipment. We also established a clinker production line of daily production of 12,000 tonnes in 2009, which represented the world's largest clinker production line using the most advanced technology at the time.

- **Perfect strategic planning.** Our production facilities in Henan province are strategically located along the "Two Vertical and Three Horizontal" express ways. Our production facilities in Liaoning province and Tianjin city are strategically located along the Ha'erbin-Dalian Express Way and the Bohai Economic Rim. Our production facilities are strategically located at the intersection area of limestone resources, end market and transportation trunk lines, providing us with unique long-term strategic advantages.

- **Promising prospects for regional development.** For Henan province, the development of the central China economic zone has brought vast potential for us to expand Henan market. In 2011, the State Council of the PRC issued guidelines on developing the central China economic zone that primarily covers Henan province with the aim to, among other things, promote its urbanization and further develop its infrastructure. For Liaoning province and Tianjin city, the Bohai Economic Rim is among the areas in China with most vibrant economic growth and most encouraging prospects. As a leading cement producer in both areas, we will doubtless be among the biggest beneficiaries. We believe that we can benefit from these PRC government policy initiatives by further expanding our production capacity and products coverage in order to strengthen our market position.

- **Strong brand.** Our cement is sold under the brand name "天瑞 TIANRUI", which has been recognized as a "Chinese Famous Trademark" by the State Administration for Industry and Commerce of the PRC. We believe that our brand has become a mark of quality within the construction industry in China. Leveraging our brand name and high product quality, we have successfully won tenders and become a qualified primary cement provider for a number of high-profile large-scale infrastructure projects in China, including the South-North Water Transfer Project (南水北調工程), Ha'erbin-Dalian Express Railway (哈大高鐵) and Shijiazhuang-Wuhan Express Railway (石武高鐵).

BUSINESS OVERVIEW

- **Strong research and development capability and advanced and environment-friendly technologies.** We established the first cement production research and development center in Henan province, which currently has approximately 286 research staff and through which we have developed and obtained three patents and applied for four other patents. We consider the use of energy-saving technologies the key to the sustainable development of cement production industry in the PRC. We have invested in the development of advanced and environment-friendly technologies in order to improve our production facilities. We are also among the first PRC enterprises joining the Cement Sustainability Initiative (CSI).

- **Experienced management.** Our management team, which is built around our founder, Mr. Li Liufa, and our Executive Director Mr. Li Heping, consists of highly experienced experts with diverse skill sets, extensive work experience and significant expertise in the cement industry in China. Our management team has a proven track record.

Going forward, with the strong support from the PRC government, our own strengths, and the concerted efforts of our staff under the leadership of our management team we believe we will achieve better performance by improving our competitiveness and ability of sustainable development in general.

"The Group faced an extremely buoyant operating environment in 2011, with its business growing fuelled by continued infrastructuer and rural developments in Henan province, China. 2011 was a momentous year for the Group. I am proud to report that the Company was successfully listed on the Stock Exchange on 23 December 2011 and raised net proceeds of approximately HK$ 880.7million."

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2011, the growth of global economy has slowed down, but the economy in China continued to show a steady growth, with a GDP growth of 9.2% in 2011. Although the real estate sector has recorded a negative growth, causing complications in the cement industry, the PRC government has implemented the development policies of comprehensively raising the entry barrier of the cement industry according to the principles of controlling total output, adjusting structure and energy saving with emission reduction. The market share that was released by eliminating outdated cement enterprises provided good development opportunities for large-scale environmental friendly cement corporations.

In 2011, since the Group has actively grasped the development trend of the industry, bringing into full play of the regional competition strength, commenced to implement the strategy of "by focusing in profits and management and performing three items of work well to realize a leapfrog development" and seized every opportunity in the market, there is a significant increase in the results of operation of the Group during the reporting period as compared with the preceding year. The revenue and net profit attributable to owners of the Company in 2011 are RMB8,263.4 million and 1,274.5 million, representing a year-on-year increase of 34.8% and 221.2%, respectively, compared to the year 2010, which is higher than the industry average growth .

FINANCIAL REVIEW

Detailed discussion and analysis of our Group's performance during the financial year and the material factors underlying its results and financial position are set out as follows.

Revenue

Our revenue was approximately RMB8,263.4 million in 2011, representing an increase of RMB2,134.0 million, or 34.8%, from approximately RMB6,129.4 million in 2010.

The increase of our revenue was primarily attributable to (i) a significant increase in the average selling price of our cement products by RMB51.5 per tonne, or 22.8%, from RMB225.6 per tonne in 2010 to RMB277.1 per tonne in 2011; and (ii) an increase in the cement sales volume by 1.5 million tonnes, or 6.8%, from 22.1 million tonnes in 2010 to 23.6 million tonnes in 2011. The significant increase in the average cement selling price was primarily because the PRC governmental authorities continued to strictly enforce its policy to phase out cement production capacity with obsolete production technology, which drove up the cement selling prices in the market. The increase in our cement sales volume was primarily due to (i) the general increase in the market demand for our cement products, particularly the increase in sales to construction engineering customers; and (ii) the phasing out of production facilities with obsolete technology from the market.

Our revenue from sales of clinker was RMB1,732.9 million in 2011, representing an increase of RMB595.6 million, or 52.4%, from approximately RMB1,137.3 million in 2010. The increase was primarily due to a significant increase in the average clinker selling price by RMB83.1 per tonne, or 44.6%, from RMB186.2 per tonne in 2010 to RMB269.3 per tonne in 2011, as the PRC governmental authorities continued to strictly enforce its policy to phase out clinker production capacity with obsolete production technology, which drove up the clinker selling prices in the market. Our clinker sales volume also increased from 6.1 million tonnes in 2010 to 6.4 million tonnes in 2011.

Cost of sales

Our cost of sales was approximately RMB5,830.5 million in 2011, representing an increase of RMB750.2 million, or 14.8%, from approximately RMB 5,080.3 million in 2010. The increase was in line with the increase in our sales volume and primarily attributable to the growth of our business. Our cost of sales as a percentage of revenue decreased to approximately 70.6% in 2011 from 82.9% in 2010 primarily due to the significant increases in the average selling prices of our cement and clinker products in 2011. Our cost of electricity as a percentage of the cost of sales decreased from 17.0% in 2010 to 15.5% in 2011, primarily due to the fact that in 2011, we installed more residual heat recovery systems and purchased less electricity from external sources than otherwise we would have.

Gross profit and gross profit margin

Our gross profit increased significantly from approximately RMB 1,049.2 million in 2010 to approximately RMB2,432.9 million in 2011, representing an increase of RMB1,383.7 million, or 131.9%. Our gross profit margin increased to approximately 29.4% in 2011 from 17.1% in 2010, primarily due to the significant increases in the average selling prices of our cement and clinker products , as well as the Group installed more residual heat recovery systems that resulted to purchase less electricity from external sources, which decreased the cost of electricity.

Administrative expenses

Our administrative expenses were approximately RMB296.8 million in 2011, representing an increase of RMB122.2 million, or 70.0%, from RMB174.6 million in 2010. The increase was in line with the increase of our sales volume and was primarily due to the growth of our business and the expenses related to our IPO in December 2011.

Finance costs

Finance costs were approximately RMB475.3 million in 2011, representing an increase of RMB172.0 million, or 56.7%, from approximately RMB303.3 million in 2010. The increase was primarily attributable to the PBOC's increase of benchmark loan interest rates during the year. The increase in finance costs was also because we had fewer projects under construction in 2011, as a result of which we were not able to capitalize as much finance costs as in prior years.

Income tax expenses

Our income tax expenses were approximately RMB413.4 million in 2011, representing a significant increase of RMB284.4 million, or approximately 2.2 times, from approximately RMB128.9 million in 2010 mainly due to the increase in profit.

Profit attributable to owners of the Company and net profit margin

Our profit attributable to owners of the Company for the year was approximately RMB1,274.5 million in 2011, an increase of RMB877.7 million, or approximately 2.2 times, from approximately RMB396.8 million in 2010. The net profit margin increased from 6.5% in 2010 to 15.4% in 2011, mainly attributable to the increase in the average selling prices of our cement and clinker products in central China as a result of certain PRC government authorities' strict implementation of its policy to phase out obsolete production technology, which reduced the supply of cement and consequently drove up their selling prices.

Financial and liquidity position

Our principal sources of liquidity have historically been cash generated from operations and bank and other borrowings. We have historically used cash from such sources for working capital, production facility expansions, other capital expenditures and debt service requirements. We anticipate these uses will continue to be our principal uses of cash in the future.

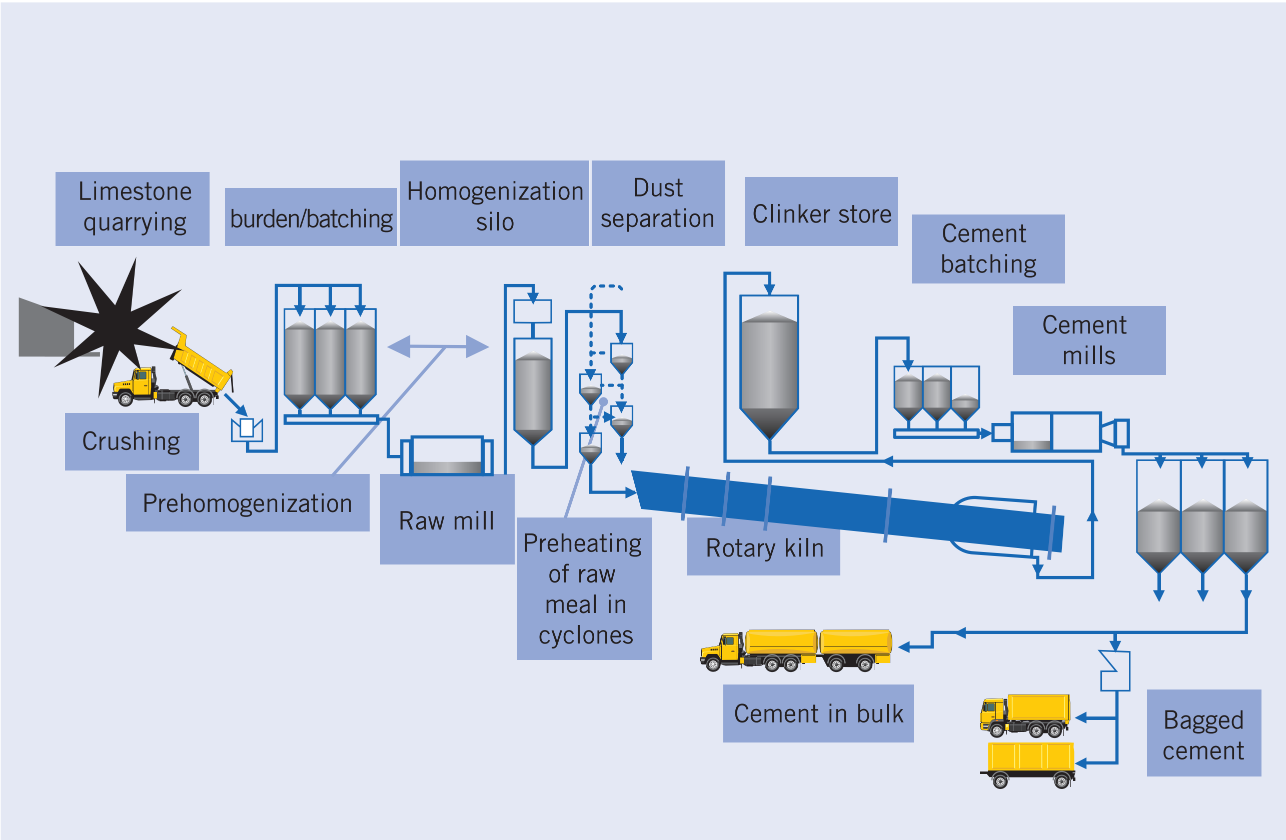
As of 31 December 2011, we had unutilized bank facilities of approximately RMB3,554.5 million. We also seek to improve our loan and other maturity profile by increasing the proportion of long-term borrowings. In 2010 and 2011, the Company successfully issued the short-term debentures in an aggregate principal amount of RMB500.0 million and the first tranche mid-term debentures in an aggregate principal amount of RMB300.0 million (collectively, the "**Debentures**"). A portion of the proceeds of the Debentures has been used for debt restructuring and the remainder has been used for our production expansion projects and to enhance our Group's working capital and liquidity position.

Capital expenditure and capital commitment

Capital expenditure for the year ended 31 December 2011 amounted to approximately RMB 1,609.7 million (2010: RMB 1,746.2 million) and capital commitments as at 31 December 2011 amounted to approximately RMB 1,479.4 million (2010: RMB 2,339.4 million). Both the capital expenditure and capital commitments were mainly related to the construction of production facilities and the acquisition of buildings, plant and machinery, motor vehicles, office equipment, construction in progress and mining rights. Our Group funded its capital expenditure through cash generated from operation and bank and other borrowings. For its capital commitments and future capital expenditure, our Group expects to fund these capital requirements through its internal operating cash flow, bank and other borrowings and other sources of finance as appropriate.

Contingent liabilities

As at 31 December 2011, our Group have a contingent liability of providing guarantee to a third party amounting to RMB 50 million, the management considers the risk of the contingent liability is remote and no financial guarantee liability has been recognized.



Valuation of Properties

For the purpose of listing of the Company's shares on the main board of the Stock Exchange in December 2011, a valuation was conducted on the property interests held by the Group. However, those property interests were still carried at historical costs less accumulated depreciation and impairment, if any, on the Group's Consolidated Financial Statements.

By reference to the property valuation set out in Appendix IV to the prospectus of the Company dated 14 December 2011, a revaluation surplus of approximately RMB4,218.2 million was recorded in respect of the property interests of the Group as at 31 October 2011. Were the properties stated at that valuation, the depreciation charge per year would have increased by approximately RMB1.7 million.

Pledge of Assets

As at 31 December 2011, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB3,126.6 million (2010: RMB3,426.6 million). For details, please refer to Note 38 to the Consolidated Financial Statements of this Annual Report.

MARKET RISKS

Interest Rate Risk

We are exposed to interest rate risks resulting from our long-term and short-term borrowings. We review the mix of our borrowings regularly to monitor our interest rate exposure, and will consider hedging significant interest rate exposure should the need arise. As our exposure to interest rate risk relates primarily to our interest-bearing bank loans, our policy is to keep our borrowings at variable rates of interest so as to minimize fair value interest rate risk, and to manage our interest rate exposure from all of our interest-bearing loans through the use of a mix of fixed and variable rates.

Liquidity Risk

We have established an appropriate liquidity risk management of our short, medium and long-term funding and liquidity management requirements. We manage the liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in (both actual and forecast) cash flows. Our management also monitors the utilization of bank borrowings and ensures compliance with loan covenants.

EMPLOYEES AND WELFARE CONTRIBUTION

As of 31 December 2011, our Group had 6,100 employees. The employees' remuneration packages are determined with reference to their experience and qualifications and general market conditions.

We recognize the importance of a good relationship with our employees. The remuneration payable to our employees includes salaries and allowances. We endeavor to provide training to our staff to enhance technical knowledge as well as knowledge of industry quality standards and work safety standards.

We offer our staff competitive remuneration packages. Our Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to our Group's profitability, our Group may also pay a discretionary bonus to our employees as an incentive for their contribution to our Group. We have also adopted a share option scheme on 12 December 2011 for the purpose of providing our employees with an incentive to work better for the interests of our Group. No option was granted or outstanding during the reporting period.

As required by applicable PRC laws and regulations, we participate in various employee benefit plans, such as pension funds, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing provident funds for our employees.

For the year ended 31 December 2011, relevant employee costs (excluding Directors' remuneration) were approximately RMB220.0 million as compared to approximately RMB147.6 million for the year ended 31 December 2010, representing an increase of 49.1%. Employee costs of our Group increased mainly because the number of employees increased. Our Group endeavors to ensure the attractiveness of its employee remuneration packages and has granted performance-based bonuses in accordance with general standards set out in our Group's remuneration policy.

Our Group has been focusing on the core capacity-building of the enterprise by providing systematical and stratified trainings to our employees in different levels to improve their capacity and quality in order to meet the requirement of their positions and the development of the Company. During the year ended 31 December 2011, we have organized 203 training classes for 12,200 employees.

PROSPECTS

In 2012, the PRC government confirmed the overall direction of "making progress in a stable situation" for the work for domestic economy. During the time of "12th Five Year Plan", according to the principles of controlling total output, adjusting structure, eliminating outdated cement enterprises and energy saving with emission reduction, the State comprehensively eliminates all outdated cement enterprises and raises the market access threshold for the cement industry, manage such access to the industry in a strict manner, support major enterprise groups to conduct merger and acquisition to centralize the industry and promote the healthy development of the work in an orderly manner for the restructuring of the whole industry.

In 2012, the Group will continue with the operation policies of "focusing on management for cost reduction internally; expanding market for improving efficiency externally, performing capital management for expansion purpose", proactively seize every opportunity to reduce the cost of procurement through centralized procurement of substantial amount of supplies; motivate management and staff to be active in potential tapping by formulating a scientific assessment system with different levels; increase the utilization efficiency of equipment by strengthening equipment management; maintain the industrial product prices by promoting concerted market cooperation; expand the market share and increase the profitability of products; complete the strategic distribution of Henan and Liaoning provinces by speeding up the restructurings and mergers, and continue to consolidate and increase the market shares in Henan and Liaoning provinces. Meanwhile, the Group will enhance the progress of comprehensive budget management and further improve the construction of the internal control system.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of nine Directors, comprising three executive Directors, two non-executive Directors and four independent non-executive Directors. The Board is responsible for and has general powers over the management and conduct of our business. The table below shows certain information in respect of the members of our Board:

Name	Age	Position
Li Liufa	54	Chairman and Non-executive Director
Li Heping	55	Executive Director and Chief Executive Officer
Liu Wenying	62	Executive Director
Yu Yagang	60	Executive Director and Chief Financial Officer
Tang Ming Chien	61	Non-executive Director
Wang Yanmou	78	Independent non-executive Director
Poon Chiu Kwok	49	Independent non-executive Director
Song Quanqi	47	Independent non-executive Director
Ma Chun Fung Horace	41	Independent non-executive Director

Chairman and Non-executive Director

Mr. Li Liufa (李留法), aged 54, is a non-executive Director and the chairman of our Board. He is the founder of our Group and was appointed as a non-executive Director on 2 July 2011. Chairman Li is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Chairman Li has extensive experience in the cement industry. He was a non-executive director of Sanmenxia Tianyuan Aluminum from March 2006 to July 2008. Chairman Li was the representative of Henan province in the Tenth National People's Congress in February 2003 and the Eleventh National People's Congress in March 2008. Chairman Li obtained his executive MBA degree from Peking University (北京大學) in 2006. Chairman Li was named "Model Worker of Henan Province (河南省勞動模範)" in 1999. In January 2005, he was awarded "Henan Province Excellent Entrepreneur (河南省優秀民營企業家)" by the People's Government of Henan Province.

Mr. Li Heping (李和平), aged 55, is an executive Director and Chief Executive Officer of our Company. Mr. Li joined our Group in 2009 and was appointed as an executive Director and Chief Executive Officer on 9 December 2011. He is primarily responsible for the formulation of development strategies, executing decisions made on investment projects and our Group's overall operation and supervision. Prior to joining our Group, Mr. Li had been the chief accountant of Luoyang Mining Machinery Factory (洛陽礦山機器廠), the deputy head of the Commission for Restructuring the Economic System of Henan Province (河南省經濟體制改革委員會), the general manager of Zhongxin Heavy Machinery Company (中信重型機械公司) and director and senior management of Tianrui Group Company Limited. Mr. Li was appointed as a non-executive director of Sanmenxia Tianyuan Aluminum in March 2006. He is currently a non-executive director and the chairman of the board of Sanmenxia Tianyuan Aluminum. Mr. Li graduated from Henan University of Science & Technology (河南科技大學) (formerly known as Luoyang Institute of Agricultural Machinery (洛陽農機學院) with a bachelor's degree in mechanic engineering in 1982 and Tsinghua University (清華大學) with a master's degree in engineering in 1988. Mr. Li also holds qualifications of "Senior Engineer" and "Senior Accountant".

Mr. Liu Wenying (劉文英), aged 62, is an executive Director. Mr. Liu joined our Group in 2009 and was appointed as an executive Director on 9 December 2011. He is primarily responsible for capital management of our Group. Mr. Liu has extensive experience in corporate financial operations and organization management. Mr. Liu was an executive director of First Tractor Company Limited (Stock Code: 00038), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") from September 2000 to July 2009. Mr. Liu graduated from the Party School of the Central Committee of CPC (中共中央黨校) majoring in economics management in 1997 and from Party School of Henan Committee of CPC majoring in economics management. Mr. Liu also holds a qualification of "Senior Accountant".

Mr. Yu Yagang (郁亞杠), aged 60, is an executive Director and Chief Financial Officer of our Company. Mr. Yu joined our Group as chief financial officer of Tianrui Cement in 2009 and was appointed as an executive Director and Chief Financial Officer on 9 December 2011. He is primarily responsible for our Group's financial operation and management. Mr. Yu has over 40 years of experience in accounting. Prior to joining our Group, Mr. Yu served as deputy chief accountant and head of the finance department of Zhongxin Heavy Machinery Company (中信重型機械公司), legal representative of Luoyang Zhongzhong Founding Factory (洛陽中重鑄鍛廠) and director and senior management of Tianrui Group Company Limited. Mr. Yu graduated from the Party School of the Central Committee of CPC (中共中央黨校) majoring in economics in 1994. Mr. Yu also holds a qualification of "Senior Accountant".

Non-executive Directors

Mr. Tang Ming Chien (唐明千), aged 61, is a non-executive Director. Mr. Tang was appointed as a non-executive Director on 9 December 2011. From December 1996 to December 2006, he was an executive director of Winsor Industrial Corporation, Limited whose shares were previously listed on the Stock Exchange. Mr. Tang was a non-executive director of Winsor Properties Holdings Limited (Stock Code: 01036), a company listed on the Stock Exchange, from August 2001 to May 2008. Mr. Tang is currently a director of South Enterprises Limited (新南企業有限公司), a private company principally engaged in the business of textile manufacturing. He graduated with a master's degree in fiber science and technology from the University of Leeds in the United Kingdom.

Independent non-executive Directors

Mr. Wang Yanmou (王燕謀), aged 78, is an independent non-executive Director. He was appointed as an independent non-executive Director on 9 December 2011. Mr. Wang has extensive experience in building materials and cement industry. Since November 1981, Mr. Wang has served as head of the Chinese Building Materials Science Research Institute (中國建築材料科學研究院), head of the National Building Materials Industry Bureau (國家建築材料工業局), honorary president of China Building Material Industry Association (中國建築材料工業協會) (currently known as China Building Material Council), chairman of the fifth board of the Chinese Ceramic Society (中國硅酸鹽學會), member of the Eighth Chinese People's Political Consultative Conference (中國人民政治協商會議第八屆全國委員會) and senior consultant of the China Cement Association (中國水泥協會). From May 1997 to May 2003, Mr. Wang served as an independent non-executive director of Anhui Conch Cement Company Limited ("**Anhui Conch**"), a company listed on both the Stock Exchange (Stock Code: 00914) and the Shanghai Stock Exchange (Stock Code: 600585). Mr. Wang has also been the director of Zhejiang Glass Company Limited ("**Zhejiang Glass**") (Stock Code: 00739), a company listed on the Stock Exchange, since October 2001. Mr. Wang currently serves as: (1) independent non-executive director of China Shanshui Cement Group Limited (Stock Code: 00691), a company listed on the Stock Exchange; and (2) supervisor of Anhui Conch; He is also a consultant of China International Construction Consulting Company (中國國際工程諮詢公司). Mr. Wang graduated from Nanjing Institute of Technology (南京工學院) (currently known as Southeast University (東南大學)) with a bachelor's degree in chemistry in 1956 and was awarded an Associate Doctoral Degree in Science and Technology by the former Leningrad Architectural Engineering Institute of the former Soviet Union in 1962.

Mr. Poon Chiu Kwok (潘昭國), aged 49, is an independent non-executive Director. He was appointed as an independent non-executive Director on 9 December 2011. Mr. Poon has over 20 years of experience in regulatory affairs, commerce and investment banking and management of listed companies. Mr. Poon served as an executive director and managing director of several investment banks. Mr. Poon worked in the Listing Division of the Stock Exchange on compliance and regulatory matters. Mr. Poon obtained several academic degrees, including a bachelor's degree in arts, majoring in business studies, and a master's degree in arts, majoring in international accounting, from the City University of Hong Kong, respectively, and a bachelor's degree in laws from the University of Wolverhampton in the United Kingdom. Mr. Poon also obtained a postgraduate diploma in laws in University of London in the United Kingdom through external programmes. Mr. Poon is currently a member and associate instructor of Hong Kong Securities Institute, a member of the Professional of Education Committee of Hong Kong Securities Institute, an associate of Institute of Chartered Secretaries and Administrators, and an associate of Hong Kong Institute of Chartered Secretaries.

In the three years immediately preceding the date of this report, Mr. Poon held directorships in the following publicly listed companies:

Name of the company	Stock Code	Title	Period
CATIC Shenzhen Holdings Limited	Stock Exchange: 00161	Independent non-executive director	31 May, 2003 - 15 June 2009
Tsingtao Brewery Company Limited	Stock Exchange: 00168/ Shanghai Stock Exchange: 600600	Independent non-executive director	23 June 2005 - 16 June 2011

Mr. Poon currently holds directorships in the following publicly listed companies:

Name of the company	Stock Code	Title
Huabao International Holdings Limited	Stock Exchange: 00336	Executive director and company secretary
Yuanda China Holdings Limited	Stock Exchange: 02789	Independent non-executive director
Sunac China Holdings Limited	Stock Exchange: 01918	Independent non-executive director
Guangzhou Shipyard International Company Limited	Stock Exchange: 00317/ Shanghai Stock Exchange: 600685	Independent non-executive director
Ningbo Port Company Limited	Shanghai Stock Exchange: 601018	Independent non-executive director
Changan Minsheng APLL Logistics Co., Ltd.	Stock Exchange: 08217	Independent non-executive director

Mr. Song Quanqi (宋全啟), aged 47, is an independent non-executive Director. He was appointed as an independent non-executive Director on 9 December 2011. Mr. Song has extensive experience in research, investments and business consulting. From 2002 to 2005, Mr. Song served as independent non-executive director of Henan Zhongfu Industry Co., Ltd. (河南中孚實業股份有限公司), a company listed on the Shanghai Stock Exchange. He has also been the director of Henan Taloph Pharmaceutical Stock Co., Ltd. (河南太龍藥業股份有限公司) (formerly known as Henan Joyline & Joysun Pharmaceutical Stock Co., Ltd. (河南竹林眾生制藥股份有限公司)), a company listed on the Shanghai Stock Exchange, since 1999. Currently, he is also a non-executive director of Sanmenxia Tianyuan Aluminum and a director of Linzhou Heavy Machinery Group Co., Ltd. (林州重機集團股份有限公司), a company listed on the Shenzhen Stock Exchange. He is also the general manager of Shanghai Boning Financial Consultation Company Limited (上海博寧財務顧問有限公司). Mr. Song graduated from the People's University of China (中國人民大學) with a doctoral degree in economics in 1993.

Mr. Ma Chun Fung Horace (馬振峰) (formerly known as Ma Ka Keung (馬家強)), aged 41, is an independent non-executive Director. He was appointed as an independent non-executive Director on 9 December 2011. Mr. Ma is an experienced accountant with extensive experience in risk and internal control. Mr. Ma is a Certified Public Accountant (Practising) registered with the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, a Certified Internal Auditor registered with the Institute of Internal Auditors and holder of Certification of Control Self-Assessment of the Institute of Internal Auditors. Mr. Ma also holds various academic degrees, including master of science and bachelor of business administration, each conferred by the Chinese University of Hong Kong. Mr. Ma has also obtained a bachelor's degree in laws conferred by the University of London through its external programmes.

Mr. Ma currently holds directorships in the following publicly listed companies:

Name of the company	**Stock Code**	**Title**
FAVA International Holdings Limited	Stock Exchange: 08108	Executive director (resigned on 31 October 2011)
Ming Fai International Holdings Limited	Stock Exchange: 03828	Independent non-executive director
Universe International Holdings Limited	Stock Exchange: 01046	Independent non-executive director
Dejin Resources Group Company Limited	Stock Exchange: 01163	Independent non-executive director

Senior Management

Yang Yongzheng (楊勇正), aged 43, is the general manager of our Company. He has extensive experience in the cement industry and is primarily responsible for the daily production and operation of our Group. Mr. Yang joined our Group in 2004, and has served as the general manager of Yingkou Cement (營口公司) and the chairman and general manager of Liaoyang Cement (遼陽公司) ever since. He was appointed as general manager of Tianrui Cement in 2012. He obtained his bachelor degree in Petroleum and Engineering from Henan University (河南大學) in 1991. Currently, he is studying EMBA in Peking University. In January 2011, Mr. Yang was awarded "Advanced Worker in the Mining Industry and Building Material Industry of Small and Medium Enterprises" (遼寧省中小企業礦業建材行業先進工作者).

Jing Xianyu (井獻玉) (formerly known as Jing Xianyu (井現於)), aged 46, is an executive deputy general manager of our Company. He has extensive experience in the cement industry and is primarily responsible for managing the production, procurement and sales of our Group. Mr. Jing joined our Group in 2000 and has worked as general manager of Weihui Cement, general manager of Yuzhou Cement, director of Zhengzhou Cement (Xingyang) and director of Zhengzhou Tianrui ever since. He has been deputy general manager of Tianrui Cement in February 2008. Mr. Jing obtained his executive MBA degree from Peking University (北京大學) in 2008. Mr. Jing was recognized as "Outstanding Leader of Quality Management of National Building Material Industry (全國建材行業質量管理卓越領導者)" in July 2008 and was named "60th Anniversary of the Founding of PRC Henan Province Meritorious Entrepreneur (建國60周年河南省建材工業功勛企業家)" in September 2009.

Guo Zhiwei (郭志偉), aged 40, is a deputy general manager of our Company. He has 15 years of experience in the cement industry and is primarily responsible for managing the comprehensive work of Zhengzhou Cement (Xingyang). Mr. Guo joined our Group in 2000 and has worked as deputy general manager and general manager of Ruzhou Cement and general manager of Zhengzhou Cement (Xingyang) ever since. From March 2007 to January 2012, he has served as deputy general manager and general manager of Tianrui Cement consecutively. Mr. Guo obtained his master's degree in materials engineering from Zhengzhou University (鄭州大學) in 2006 and his executive MBA degree from Peking University (北京大學) in 2010. He holds qualifications of "Engineer" and "Senior Economist". Mr. Guo was recognized as "Outstanding Leader of Quality Authentication Activity of National Building Material Industry (全國建材工業質量認證活動卓越領導者)" in July 2010 by China Building Material Council (中國建築材料聯合會). He obtained the "Pingdingshan City May 1 Working Award (平頂山市五一勞動獎章)" in April 2004 and was named as "Model Worker of Pingdingshan City (平頂山市勞動模範)" in April 2006. In September 2007, Mr. Guo was awarded "Model Worker in National Building Material Industry (全國建材行業勞動模範榮譽稱號)".

Zhang Wujiang (張悟將), aged 54, is a deputy general manager of our Company. He has extensive experience in the cement industry and is primarily responsible for our Group's overall operation and production in Dalian. Mr. Zhang joined our Group in 2000 and has worked as general manager of Dalian Cement, general manager of Yingkou Cement, general manager of Liaoyang Cement and general manager of Tianjin Cement ever since. He also participated substantially in the construction of the production line of Shangqiu Cement. He has been the deputy general manager of Tianrui Cement since February 2008. Mr. Zhang holds a qualification of "Engineer" and was awarded "China Excellent Entrepreneur (中國優秀民營企業家)" and "Liaoning Province Excellent Entrepreneur (遼寧省優秀企業家)" in January 2010.

Li Fashen (李法伸), aged 49, (formerly known as Li Fasen (李發森)), aged 49, is the deputy general manager of our Company. He has extensive experience in the cement industry and is primarily responsible for the daily production and operation of the Group in Liaoyang City and Yingkou city of Liaoning province. Mr. Li joined our Group in 2000 and has served as the general manager of Antai Cement and Ruzhou Cement ever since. He was appointed as deputy general manager of Tianrui Cement in 2007. He graduated from Henan University (河南大學), majoring in economics management, in 1991 and obtained his executive MBA degree from Renmin University of China (中國人民大學) in 2003. He holds a qualification of "Economist". Mr. Li is Chairman Li's brother.

Gao Yunhong (高運紅), aged 40, is a deputy general manager of our Company. He has extensive experience in the cement industry and is primarily responsible for the overall production and operation of the Group in Weihui, Henan Province. Mr. Gao joined the Group in 2005 and served as the general manager of Ruzhou Cement, Zhengzhou Cement and Guangshan Cement (光山公司) successively. From 2012, he has served as the chairman and general manager of Weihui Cement. He graduated from the PLA Information Engineering University majoring in computer science and technology. In 2008, Mr. Gao was awarded as "Model Worker of Zhengzhou City" and "60th Anniversary of the Founding of PRC Henan Province Excellent Entrepreneur in Building Material Industry (建國 60 週年河南省建材工業優秀企業家)".

Zhao Ruimin (趙睿敏), aged 42, is a deputy general manager and engineering department manager of our Company. He is primarily responsible for project construction and equipment management in our Group. Mr. Zhao joined our Group in 2000 and was substantially involved in the establishment of production lines of Ruzhou Cement and Zhengzhou Cement (Xingyang). He has served as deputy general manager of Tianrui Cement since February 2008. Mr. Zhao obtained his bachelor's degree in inorganic non-metal materials studies from Nanjing College of Chemical Technology (南京化工學院) in 1992 and his executive MBA degree from Peking University (北京大學) in 2009. He holds a qualification of "Senior Engineer".

Zhao Huibin (趙惠斌), aged 55, is a deputy general manager of our Company. He has 30 years of experience in the cement industry and is primarily responsible for the development business of our Group. Mr. Zhao joined our Group in 2002 and has worked as deputy general manager of Tianrui Cement. He also served as manager of the development department, where he was responsible for the preparation of Tianrui Cement's construction projects. Mr. Zhao obtained his master's degree from Macau University of Science and Technology (澳門科技大學) in 2008. Mr. Zhao holds a qualification of "Senior Engineer" and was awarded 2003 Excellent Entrepreneur in National Building Material Industry (2003年度全國建材行業優秀企業家) in September 2003.

Zhang Zhaokun (張照坤), aged 41, is a deputy general manager of our Company. He has extensive experience in human resources management and is primarily responsible for administrative matters and human resource affairs of our Company. Mr. Zhang joined our Group in 2000 and previously worked as deputy general manager of Antai Cement. He has been the deputy general manager of Tianrui Cement since July 2008. Mr. Zhang obtained his bachelor's degree in library science and information science from South-Central University for Nationalities (中南民族學院) in 1993 and his master's degree in business administration from Zhengzhou University (鄭州大學) in 2007. He also obtained the certification standard of Senior Administration Professional Manager Qualification in 2007 and a qualification of "Senior Human Resources Manager" in 2008.

Jia Huaping (賈華平), aged 53, is the chief engineer of our Company. He is primarily responsible for the production technology development and production and technology management of our Group. Mr. Jia has 29 years of experience in the cement industry. He joined our Group in 2008 and has worked as manager of production department, head of the technical center and deputy chief engineer of Tianrui Cement ever since. He was appointed as chief engineer of Tianrui Cement in February 2009. Mr. Jia graduated from Shandong Building Material Industry Institute (山東建築材料工業學院), majoring in inorganic material science and engineering, in 1982. Since 1987, Mr. Jia has obtained several awards relating to technology improvement. He was awarded "2009 National Excellent Chief Engineer in Cement Industry (2009 年全國水泥企業優秀總工程師)" in 2010.

Joint Company Secretaries

Yu Chunliang (喻春良), aged 42, was appointed as one of the joint company secretaries of our Company on 9 December 2011. Mr. Yu joined our Group in 2005 as deputy head of the general office of Tianrui Cement. He was later appointed as deputy head of the human resources department of Tianrui Cement. He was later appointed as head of administrative office and head of board office of Tianrui Cement. Prior to joining our Group, he was the secretary of the disciplinary committee of Pingdingshan Xingfeng Group Cement Co., Ltd. (平頂山星峰集團水泥有限公司). Mr. Yu obtained his bachelor's degree in arts from Xinyang Normal University (信陽師範學院) in 1992 and his postgraduate degree in economic management from the Party School of CPC of Henan province (中共河南省委黨校) in 2007. He holds a qualification of "National Second Level Corporate Human Resources Manager".

Yao Yan Ping, Francis (姚恩平), aged 42, holds a bachelor's degree in accounting from the City University of Hong Kong. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and of the Association of Chartered Certified Accountants, United Kingdom. Mr. Yao has over 18 years' experience in the financial field, the money market and capital market. Mr. Yao therefore meets the requirements under Rules 3.28 and 8.17 of the Listing Rules in respect of a company secretary.

REPORT OF THE DIRECTORS

The Board hereby presents this Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2011 (the "**Consolidated Financial Statements**").

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 7 February 2011 as an exempted company with limited liability. The Group's operations are substantially conducted through its subsidiaries in the PRC. The Group is principally engaged in the excavation of limestone, production, sale and distribution of clinker and cement. Details of the principal activities of the Group during the year ended 31 December 2011 are set out in Note 46 to the Consolidated Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the Consolidated Financial Statements of this Annual Report.

The Board did not recommend to make a payment of final dividend for the year ended 31 December 2011.

USE OF NET PROCEEDS RECEIVED FROM THE IPO

On 23 December 2011, the Company was successfully listed on the Main Board of the Stock Exchange, with net proceeds received from the IPO amounting to approximately HK$ 880.7 million. We have utilised such net proceeds in the manner consistent with that mentioned in the prospectus of the Company dated 24 December 2011 (the "**Prospectus**") under the section headed "Future Plans and Use of Proceeds". As at the date of the Report of Directors, approximately HK$ 836.7 million in aggregate of the net proceeds was used to repay part of the loan from International Finance Corporation to Tianrui Cement ("**IFC Loan**") and the facility from a syndicate led by JP Morgan Chase Bank (China) Company Limited Shanghai Branch to Tianrui Cement and certain of its Subsidiaries ("**JPM Facility**") on a pro rata basis according to their respective outstanding principal amounts and approximately HK$ 44 million in aggregate was used as the additional general working capital of the Company.

FINANCIAL SUMMARY FOR PAST YEARS

A summary of our results and the assets and liabilities of the Group for the current financial financial year and last three financial years, as extracted from the Group's audited consolidated financial statements, is set out in the section headed "Financial Summary" of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in Note 15 to the Consolidated Financial Statements of this Annual Report.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings are set out in Note 30, 31 and 32 to the Consolidated Financial Statements of this Annual Report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2011 are set out in Note 37 to the Consolidated Financial Statements of this Annual Report.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Financial Statement of Changes in Equity of this Annual Report.

DISTRIBUTABLE RESERVES OF THE GROUP

The Group's reserves available for distribution to shareholders as at 31 December 2011 amounted to RMB 2,304.6 million (31 December 2010: RMB 1,158.1 million).

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of our Directors, the Company has maintained the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as at the date of this Annual Report.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive right under the Company's Articles of Association or applicable laws of the Cayman Islands where the Company was incorporated.

DIRECTORS

The Directors of the Company for the year ended 31 December 2011 were:

Chairman and Non-executive Director

Mr. Li Liufa

Executive Directors

Mr. Li Heping
Mr. Liu Wenying
Mr. Yu Yagang

Non-executive Director

Mr. Tang Ming Chien

Independent Non-executive Directors

Mr. Wang Yanmou
Mr. Poon Chiu Kwok
Mr. Song Quanqi
Mr. Ma Chun Fung Horace

DIRECTORS' PROFILES

Details of the Directors' profiles are set out in the section headed "Profiles of Directors and Senior Management" of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years with effect from their respective date of appointment unless terminated by a not less than three months' notice in writing served by either the executive Director or the Company. Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with the Company for a term of three years with effect from their respective date of appointment, save and except for the term for the appointments of Mr. Poon Chiu Kwok and Mr. Ma Chun Fung Horace being one year with effect from their respective dates of appointment. The appointments are subject to the provisions of retirement and rotation of directors under the Articles of Association of the Company.

In accordance with the Company's articles of association, Mr. Li Liufa will retire from the Board by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general Meeting.

According to the Articles of Association of the Company, the Directors shall have the power from time to time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board and Directors so appointed shall hold office only till the next annual general meeting of the Company and shall then be eligible for re-election. As such, Mr. Li Heping, Mr. Liu Wenying, Mr. Yu Yagang, Mr. Tang Ming Chien, Mr. Wang Yanmou, Mr. Poon Chiu Kwok, Mr. Song Quanqi and Mr. Ma Chun Fung Horace shall hold office till the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Confirmation of Independence from the Independent Non-executive Directors

We have received from each of the independent non-executive Directors, namely Mr. Wang Yanmou, Mr. Poon Chiu Kwok, Mr. Song Quanqi and Mr. Ma Chun Fung Horace, the confirmation of their respective independence pursuant to rule 3.13 of the Listing Rules. We consider that our independent non-executive Directors have been independent from the date of their appointment to 31 December 2011 and remain independent as at the date of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2011, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules, were as follows:

Name of Director	Capacity/Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Mr. Li Liuifa [(1)]	Interests in controlled corporation/ Long position	950,000,000	39.57
Mr. Tang Ming Chien [(2)]	Interests in controlled corporation/ Long position	449,400,000	18.72

(1) Mr. Li Liufa is deemed to be interested in the shares held by Yu Kuo by virtue of Yu Kuo being controlled by Mr. Li Liufa through Holy Eagle (the wholly-owned company of Mr. Li Liufa).

(2) Mr. Tang Ming Chien is deemed to be interested in the Shares held by Wan Qi by virtue of Wan Qi being controlled by Mr. Tang Ming Chien.

Save as disclosed above, as at 31 December 2011, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period from the date of Listing being 23 December 2012, to 31 December 2011 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the period from the date of Listing being 23 December 2012, to 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2011, none of the Directors or controlling shareholders (as defined under the Listing Rules) of the Company was interested in any business which competes or is likely to compete with the businesses of the Group, save and except for the indirect equity interest of Chairman Li in Ruiping Shilong Cement Company Limited ("**Ruiping Shilong**") which is engaged in manufacturing and selling clinker in certain areas in Henan province as disclosed in the Prospectus .

We have received an annual written confirmation from the controlling shareholders of the Company, namely, Mr. Li Liufa, Mr. Li Xuanyu, Yu Kuo, Yu Qi and Holy Eagle collectively, (collectively, the "**Controlling Shareholders**"), in respect of the compliance by the Controlling Shareholders and their respective associates with the provisions of the non-competition deed entered into between the Company and the Controlling Shareholders on 9 December 2011 (the "**Non-competition Deed**").

Our independent non-executive Directors have reviewed the compliance with the Non-competition Deed based on information and confirmation provided by or obtained from the Controlling Shareholders and their respective associates, and were satisfied that the Controlling Shareholders and their associates have duly complied with the Non-competition Deed.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2011, save as disclosed below, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of rule 14A.45 of the Listing Rules.

The Group has entered into transactions with certain connected persons (as defined under chapter 14A of the Listing Rules) ("**Connected Persons**") which constituted a non-exempt continuing connected transaction under the Listing Rules (the "**Continuing Connected Transactions**"). With respect to those Continuing Connected Transactions, the Stock Exchange has granted a waiver from strict compliance with the announcement requirement under rule 14A.47 of the Listing Rules.

Purchase of Clinker

On 6 December 2011, Zhoukou Cement (a wholly-owned subsidiary of the Company) and Ruiping Shilong, which is a connected person due to the reason that it is an associate of Chairman Li, entered into a clinker supply framework agreement (the "**Clinker Supply Framework Agreement**") for the purchase of clinker from Ruiping Shilong with a term commencing on 6 December 2011 and ending on 31 December 2013.

The proposed annual caps of consideration payable by Zhoukou Cement for the purchase of clinker from Ruping Shilong for the year ended 31 December 2011 and ending on 31 December 2012 and 2013 are RMB20 million, RMB20 million and RMB20 million, respectively. For the year ended 31 December 2011, the actual amount paid by the Zhoukou Cement to Ruping Shilong for purchase of clinker was RMB 17.4 million.

Pursuant to rule 14A.37 of the Listing Rules, the above Continuing Connected Transactions have been reviewed by the independent non-executive Directors of our Company, who confirmed that these Continuing Connected Transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or on terms no less favourable to us than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in them interests of the shareholders of our Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing his conclusion in respect of the continuing connected transactions disclosed by the Group above made confirmation in accordance with Rule 14A.38.

Related parties transactions

The Group is also involved in a number of related party transactions during the year ended 31 December 2011, which have been disclosed in note 42 to the Consolidated Financial Statements of this Annual Report. Such related parties transactions are either exempted connected transactions or do not constitute connected transactions. The Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules during the year under review.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed above, no contract of significance in relation to the Group's business to which the Company, or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the period from the Listing Date to 31 December 2011.

DIRECTORS' REMUNERATION

Our Directors' fees are, subject to shareholders' approval at general meetings. Other emoluments are determined by our Remuneration Committee with reference to the Directors' duties, responsibilities and our performance and results.

RETIREMENT SCHEMES

The employees of the Group members in the PRC are members of a state-managed employee benefit plans operated by the PRC government such as pension funds, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing funds. The Group is required to contribute a specified percentage of its payroll costs to the employee benefit plans to fund the benefits.

The Group's contributions to the employee benefit plans for the year ended 31 December 2011 were RMB 17.5 million. Particulars of these plans are set out in Note 41 to the Consolidated Financial Statement of this Annual Report.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2011, to the best knowledge of the Directors and the senior management of the Company, the followings are the persons (not being a Director or chief executive of the Company), who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of Shareholder	Capacity/Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Yu Kuo	Beneficial owner/ Long position(1)	950,000,000	39.57
Holy Eagle	Interests in controlled corporation/ Long position(1)	950,000,000	39.57
Yu Qi	Interests in controlled corporation/ Long position(1)	950,000,000	39.57
Mr. Li Xuanyu	Interests in controlled corporation/ Long position(1)	950,000,000	39.57
Wan Qi	Beneficial owner/ Long position(2)	449,400,000	18.72
Titan Investments	Beneficial owner/Long position(3)	400,000,000	16.66
KKR Asian Fund L.P.	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
KKR Associates Asia L.P.	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
KKR Asia Limited	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
KKR Fund Holdings L.P.	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
KKR Fund Holdings GP Limited	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
KKR Group Holdings L.P.	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
KKR Group Limited	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
KKR & Co. L.P.	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
KKR Management LLC	Interests in controlled corporation/ Long position(3)	400,000,000	16.66

Name of Shareholder	Capacity/Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Mr. Henry R. Kravis and Mr. George R. Roberts	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
JPMorgan PCA Holdings (Mauritius) I Limited	Beneficial owner/ Long position(4)	200,600,000	8.36
JPMorgan Private Capital Asia Fund I, L.P.	Interests in controlled corporation/ Long position(4)	200,600,000	8.36
	Short position	33,433,340	1.39
JPMorgan Private Capital Asia General Partner, L.P.	Interests in controlled corporation/ Long position(4)	200,600,000	8.36
	Short position	33,433,340	1.39
JPMorgan Private Capital Asia GP Limited	Interests in controlled corporation/ Long position(4)	200,600,000	8.36
	Short position	33,433,340	1.39
JPMorgan Private Capital Asia Corp	Interests in controlled corporation/ Long position(4)	200,600,000	8.36
	Short position	33,433,340	1.39
JPMorgan Chase & Co.	Interests in controlled corporation/ Long position(4)	200,600,000	8.36
	Short position	33,433,340	1.39

(1) The entire issued share capital of Yu Kuo is legally and beneficially owned by Holy Eagle and Yu Qi. Mr. Li Liufa is deemed to be interested in the Shares held by Yu Kuo by virtue of Yu Kuo being controlled by Mr. Li Liufa through Holy Eagle (the wholly-owned company of Mr. Li Liufa). Mr. Li Xuanyu is deemed to be interested in the Shares held by Yu Kuo by virtue of Yu Kuo being controlled by Mr. Li Xuanyu through Yu Qi (the wholly-owned company of Mr. Li Xuanyu).

(2) The entire issued share capital of Wan Qi is legally and beneficially owned by Mr. Tang Ming Chien. Mr. Tang Ming Chien is deemed to be interested in the Shares held by Wan Qi by virtue of Wan Qi being controlled by Mr. Tang Ming Chien.

(3) Each of KKR Asian Fund L.P. (as the controlling shareholder of Titan Investments), KKR Associates Asia L.P. (as the general partner of KKR Asian Fund L.P.), KKR SP Limited (as the voting partner of KKR Associates Asia L.P.), KKR Asia Limited (as the general partner of KKR Associates Asia L.P.), KKR Fund Holdings L.P. (as the sole shareholder of KKR Asia Limited), KKR Fund Holdings GP Limited (as a general partner of KKR Fund Holdings L.P.), KKR Group Holdings L.P. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited), KKR Group Limited (as the general partner of KKR Group Holdings L.P.), KKR & Co. L.P. (as the sole shareholder of KKR Group Limited), KKR Management LLC (as the general partner of KKR & Co. L.P.), and Mr. Henry R. Kravis and Mr. George R. Roberts (as designated members of KKR Management LLC) is deemed to be interested in 400,000,000 Shares as of the Listing Date. Mr. Henry R. Kravis and Mr. George R. Roberts disclaim beneficial ownership of the Shares held by Titan Investments (Cayman).

(4) Each of JPMorgan Private Capital Asia Fund I, L.P. (as the controlling shareholder of JPMorgan PCA Holdings (Mauritius) I Limited ("**JPMorgan PCA**"), JPMorgan Private Capital Asia General Partner, L.P. (as the general partner of JPMorgan Private Capital Asia Fund I, L.P.), JPMorgan Private Capital Asia GP Limited (as the general partner of JPMorgan Private Capital Asia General Partner, L.P.), JPMorgan Private Capital Asia Corp (as the sole shareholder of JPMorgan Private Capital Asia GP Limited) and JPMorgan Chase & Co. (as the holding company of JPMorgan Private Capital Asia Corp.) is deemed to be interested in 200,600,000 Shares held by JPMorgan PCA pursuant to Section(s) 316(2) and/or 316(3) under Part XV of the SFO.

SHARE-BASED INCENTIVE SCHEMES

Share Option Scheme

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 12 December 2011 (the "**Adoption Date**"). Pursuant to the Share Option Scheme, the Board may, at its discretion, invite all directors, any employee (whether full-time or part-time), any consultant or adviser of or to the Company or the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to the Company or the Group, to participate in the Share Option Scheme to subscribe for the ordinary shares of the Company.

The period within which the options must be exercised shall be determined by the Directors at the time of grant and such period must expire no later than ten years from the date the offer has been made to the grantees (the "**Option Period**"). All outstanding options shall lapse when the expiry of the Option Period, the employment of the holder ceases or where the holder is no longer a member of the Group.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 30 percent of the shares in issue from time to time where there are options to be granted and yet to be exercised. The total number of shares issued and to be issued upon exercise of the options granted to each qualified person under the Share Option Scheme or any other share option schemes adopted by the Company in any 12 month period must not exceed one percent of the shares in issue. Any further grant of options which would result in the number of shares exceeding one percent requires a shareholders' approval with the relevant participant and its associates abstaining from voting.

As at 31 December 2011, no option has been granted under the Share Option Scheme.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year ended 31 December 2011 is set out as follows:

	Percentage of the Group's total sales (%)
The largest customer	2.3
Five largest customers in aggregate	7.2

	Percentage of the Group's total sales (%)
The largest supplier	10.2
Five largest suppliers in aggregate	25.3

None of our Directors or any of their associates or any shareholders (which to the best knowledge of our Directors owned more than 5% of the Company's issued share capital) had a material interest in our five largest customers or our five largest suppliers.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the period from 23 December 2011 on which the shares of the Company commenced listing on the Stock Exchange to 31 December 2011, save as disclosed in the Corporate Governance Report of this Annual Report, all the code provisions set out in the Code contained in Appendix 14 to the Listing Rules were met by the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

Details of the Company's compliance with the Model Code for Securities Transactions are set out in the Corporate Governance Report of this Annual Report.

SUBSEQUENT EVENTS

No events of material significance to the Group have occurred subsequent to 31 December 2011.

AUDITOR

The Consolidated Financial Statements have been audited by Deloitte Touche Tohmatsu ("**Deloitte**"), who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

A resolution to re-appoint Deloitte as our external auditor will be submitted for shareholders' approval at our forthcoming annual general meeting.

By order of the Board
Li Liufa
Chairman

Ruzhou City, Henan Province, the PRC, 23 March 2012

CORPORATE GOVERNANCE PRACTICES

Our Company is committed to maintaining a high standard of corporate governance. The principle of our Company's corporate governance is to implement effective internal control measures and to increase the transparency of the Board and accountability to all shareholders.

Our Company has adopted the provisions set out in the Code on Corporate Governance Practices (the "**Code**") in Appendix 14 of the Listing Rules as its own code on corporate governance practice. During the period from 23 December 2011, the date on which the ordinary shares of the Company commenced listing on the Stock Exchange to 31 December 2011, save as disclosed below, our Company has been in compliance with all provisions of the Code.

COMPLIANCE WITH MODEL CODE

Our Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Our Company has made specific enquiries with each Director, and each of them has confirmed that he or she has been in compliance with the Model Code for the period from the Listing Date to 31 December 2011 and up to the date of this report.

BOARD OF DIRECTORS

Responsibilities of the Board

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and management performance so as to protect and enhance the interests of the Company and its shareholders. Matters relating to the day-to-day operation of the Group are delegated to management. During the period from the Listing Date to 31 December 2011, the Board (among other things) considered and approved the annual budget, results of operation and the reconciliation between them, together with management work report, the annual results for the year ended 31 December 2011 and the initial public offering and listing shares of the Company, monitored the operation of our Group's key business, and assessed our Group's internal control and financial matters.

Composition of the Board

The Board currently comprises nine Directors, including three executive Directors, two non-executive Directors and four independent non-executive Directors. The names and profiles of Directors are set out in the section headed "Profiles of Directors and Senior Management" in this annual report.

Independent non-executive Directors

During the period from the Listing Date to 31 December 2011, the Board has been in compliance with the requirements under the Listing Rules in relation to the appointment of no less than three independent non-executive Directors and that at least one independent non-executive Director must possess appropriate professional qualifications or accounting or finance management expertise. Independent non-executive Directors play an important role in the Board through their independent judgments, and their opinions have material influence on the decision-making of the Board.

Save for Mr. Poon Chiu Kwok and Mr. Ma Chun Fung Horace each of whom has been appointed for one year since their respective dates of appointment, every other independent non-executive Director has entered into a letter of appointment with our Company pursuant to which each of them has been appointed for three year since their respective dates of appointment. Our Company has received written annual confirmation from each independent non-executive Director of his independence under Rule 3.13 of the Listing Rules. Our Company considers all independent non-executive Directors independent in accordance with the Listing Rules.

Appointment, re-election and removal of Directors

Our Company has established a nomination committee (the "**Nomination Committee**") during the year. The Nomination Committee is responsible for formulating the procedures for the appointment and removal of Directors. In selecting proposed Directors, the Nomination Committee considers the integrity, industry achievements and experience, expertise, educational background of candidates and whether they have sufficient time to perform their duties as Directors.

In accordance with the Articles of Association of our Company, at each annual general meeting one-third of Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Board may from time to time and at any time appoint any person to be a Director, either to fill a casual vacancy on the Board, or as an addition to the existing Board.

Accordingly, Chairman Li will retire from office of director by rotation and shall be eligible for re-election.

Mr. Li Heping, Mr.Liu Wenying, Mr. Yu Yagang, Mr. Tang Ming Chien, Mr. Wang Yanmou, Mr. Poon Chiu Kwok, Mr. Song Quanqi and Mr. Ma Chun Fung Horace, who were appointed by the Board on 9 December 2011, shall hold office until the forthcoming annual general meeting and shall then be eligible for re-election.

Board Committees

There are an audit committee, a nomination committee and a remuneration committee under the Board (collectively referred to as the "**Board Committees**"). The Board Committees have been provided with sufficient resources to discharge their duties, and may, upon reasonable request, seek independent professional opinions at the expense of our Company under appropriate cirumstances.

Audit Committee

Our Company has established an audit committee (the "**Audit Committee**") pursuant to a resolution of the Board passed on 12 December 2011 in accordance with Rule 3.21 of the Listing Rules. The principal responsibilities of the Audit Committee are to make recommendations to the Board as to the appointment and removal of external auditors, to review the financial statements and material proposals regarding financial reporting, and to monitor our Company's internal control procedures. The Audit Committee currently comprises three members, being Mr. Ma Chun Fung Horace, Mr. Poon Chiu Kwok and Mr. Wang Yanmou. Mr. Ma Chun Fung Horace is the chairman of the Audit Committee.

The Audit Committee shall meet at least twice every year. During the period from the Listing Date to the date of this Annual Report, the Audit Committee has held two meetings, at which it amended the Terms of Reference and Procedures for the Audit Committee and considered and discussed the audited full-year results for 2011 with management of our Company. All the three members of the Audit Committee have attended the two mettings.

Remuneration Committee

The Remuneration Committee was established on 12 December 2011. The principal responsibilities of the Remuneration Committee are to make recommendations to the Board as to the overall remuneration policy and structure of all Directors and senior management of the Group, to review individual performance-based remuneration and to ensure no Directors participates in the determination of his own remuneration. The Remuneration Committee comprises three members, being Mr. Song Quanqi, Mr. Poon Chiu Kwok and Mr. Liu Wenying. Mr. Song Quanqi is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least twice every year. As the listing of the shares of our Company on the Stock Exchange commenced on 23 December 2011, no meeting was held by the Remuneration Committee during the period from the Listing Date to 31 December 2011.

Nomination Committee

Our Company has established a nomination committee (the "**Nomination Committee**") with written terms of reference on 12 December 2011. The principal responsibilities of the Nomination Committee are to make recommendations to the Board as to the appointment and removal of Directors. The Nomination Committee comprises three members, being Mr. Wang Yanmou, Mr. Song Quanqi and Mr. Li Heping. Mr. Wang Yanmou is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least twice every year. As the listing of the shares of our Company on the Stock Exchange commenced on 23 December 2011, no meeting was held by the Nomination Committee during the period from the Listing Date to 31 December 2011.

BOARD MEETINGS

The Board holds regular meetings to discuss the overall strategy and operational and financial performance of our Group. During the period from the Listing Date to 31 December 2011, the Board held two meetings. The attendance record of each Director is as follows:

Name of Directors	Attendance
Executive Directors	
Mr. Li Heping	100%
Mr. Liu Wenying	100%
Mr. Yu Yagang	100%
Non-executive Directors	
Mr. Li Liufa	100%
Mr. Tang Ming Chien	100%
Independent non-executive Directors	
Mr. Wang Yanmou	100%
Mr. Poon Chiu Kwok	100%
Mr. Song Quanqi	100%
Mr. Ma Chun Fung Horace	100%

Our Company gives notices of Board meetings of a reasonable period, and the procedures for the Board meetings are in compliance with the Articles of Association of our Company and relevant rules and regulations. Meeting agendas and relevant documents are circulated to all Directors in a timely manner. In order to ensure the compliance with the procedures for the Board meetings and all applicable rules and regulations, all Directors have full and timely access to all relevant information and may request the opinions and services of joint company secretaries. Upon making a request to the Board, all Directors may seek independent professional opinions to discharge their duties at the expense of our Company.

The joint company secretaries shall keep minutes of Board meetings which shall be available for inspection by Directors and the auditors of our Company.

Directors' and Auditor's responsibilities for the financial statements

The Directors of our Company have confirmed that it is responsible for making balanced, clear and understandable assessment of the consolidated financial statements set out in the annual and interim results. In preparing the financial statements for the year ended 31 December 2011, the Directors have selected and applied consistently appropriate accounting policies, have adopted appropriate international financial reporting standards and have made prudent and reasonable judgment and estimates, and have prepared the financial statements on a going concern basis. The statement of the independent auditors of our Company regarding the presentation obligations for and opinions on the financial statements for the year ended 31 December 2011, are set out in the section headed the "Independent Auditors' Report" in this annual report on page 35.

MANAGEMENT FUNCTIONS

The Articles of Association of our Company specifies the matters to be decided by the Board. Management holds regular meetings to review and discuss with executive Directors the day-to-day operation, the financial and operational performance and to ensure that the guidelines and strategies promulgated by the Board are properly implemented by management.

INTERNAL CONTROL

The Board and senior management are responsible for establishing, implementing and maintaining a sound and effective internal control system. Our internal control is aimed to provide reasonable assurance for the achievement of the following goals, as well as to facilitate the realization of the business development strategies of our Company:

(i) operational effectiveness and efficiency;

(ii) reliability of financial reports; and

(iii) compliance with applicable laws and regulations.

In preparation for the listing, our Company appointed an renowned international internal control consultant to assess our internal control, and the internal control consultant made a number of suggestions on how to further improve our internal control. Accordingly, our Company implemented various internal control measures before the listing to rectify the defects identified by the internal control consultant.

INDEPENDENT AUDITOR

The independent auditors of our Company are Deloitte Touche Tohmatsu. For the year ended 31 December 2011, the compensation payable for the audit services provided by Deloitte Touche Tohmatsu is as follows:

Services provided by auditors	Compensation *(RMB thousand)*
Annual audit	2,530
Total	2,530

Shareholder communications and investor relations department

Since listing of shares of the Company on 23 December 2011, our Company has been acting in good faith, strictly following and implementing the Listing Rules, timely disclosing true, accurate and complete information that needs to be disclosed, and also timely disclosing information that might materially affect the decision-making of shareholders and other interested parties.

Our senior management is committed to maintaining communication channels with investors to provide them with thorough understanding of our Company and its business and strategies. Since the listing, we have attached great importance to the investor relations and have established a dedicated investor relations department (the "**Investor Relations Department**"). The Investor Relations Department is mainly responsible for making fair, consistent and transparent disclosure to and maintaining appropriate communications with investors worldwide.

For investor relations, our Company will hold a range of events regarding investor relations and enhance its corporate responsibility awareness, with the aim of ensuring that the shareholders of the Company and investors have sufficient understanding of the operational strategies, financial performance and growth prospects of our Company.

Going forward, our Company will proactively develop and maintain its close relations with the shareholders of the Company and investors, analysts and media, so as to enhance shareholders' values and reinforce the management of investor relations.

by order of the Board
Li Liufa
Chairman

Ruzhou City, Henan Province, the PRC, 23 March, 2012

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHINA TIANRUI GROUP CEMENT COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Tianrui Group Cement Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 99, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	6, 7	**8,263,395**	6,129,438
Cost of sales		**(5,830,467)**	(5,080,258)
Gross profit		**2,432,928**	1,049,180
Other income	8	**293,817**	188,454
Selling and distribution expenses		**(260,783)**	(225,473)
Administrative expenses		**(296,832)**	(174,604)
Other expenses		**(7,308)**	(7,587)
Finance costs	9	**(475,269)**	(303,266)
Profit before tax		**1,686,553**	526,704
Income tax expense	10	**(413,365)**	(128,917)
Profit for the year and total comprehensive income for the year	11	**1,273,188**	397,787
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the Company		**1,274,538**	396,833
Non-controlling interest		**(1,350)**	954
		1,273,188	397,787

		2011 RMB	2010 RMB
Earnings per share			
Basic	13	**0.63**	0.20
Diluted	13	**0.63**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**10,034,915**	8,666,714
Deposits paid	16	**230,563**	473,472
Prepaid lease payments	17	**602,491**	499,927
Mining rights	18	**222,533**	228,500
Goodwill	19	**12,275**	12,275
Interest in an associate	20	**—**	—
Available-for-sale investments	21	**—**	4,000
Amounts due from related parties	24	**—**	28,070
Deferred tax assets	34	**15,285**	8,528
		11,118,062	9,921,486
CURRENT ASSETS			
Inventories	22	**1,203,151**	800,861
Trade and other receivables	23	**2,454,932**	1,179,917
Available-for-sale investments	21	**4,000**	—
Amounts due from related parties	24	**572**	12,618
Investments held for trading	25	**250,000**	—
Restricted bank balances	26	**1,974,648**	1,423,888
Cash and bank balances	27	**232,480**	343,396
		6,119,783	3,760,680
CURRENT LIABILITIES			
Trade and other payables	28	**4,201,433**	3,577,309
Amounts due to related parties	29	**639**	10,325
Income tax payable		**110,629**	83,886
Short term debenture	30	**500,000**	500,000
Borrowings - due within one year	31	**4,946,852**	3,777,373
		9,759,553	7,948,893
NET CURRENT LIABILITIES		**3,639,770**	4,188,213
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,478,292**	5,733,273
CAPITAL AND RESERVES			
Issued capital/paid-in capital	37	**19,505**	1,397,135
Reserves		**3,191,882**	980,924
Retained earnings		**2,304,573**	1,158,053
Equity attributable to owners of the Company		**5,515,960**	3,536,112
Non-controlling interest		**38,650**	—
TOTAL EQUITY		**5,554,610**	3,536,112

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT LIABILITIES			
Borrowings - due after one year	31	**1,410,010**	2,021,000
Mid-term debenture	32	**300,000**	—
Other payables	33	**30,237**	34,237
Deferred tax liabilities	34	**24,222**	23,623
Deferred income	35	**149,804**	111,726
Provision for environmental restoration	36	**9,409**	6,575
		1,923,682	2,197,161
		7,478,292	5,733,273

The consolidated financial statements on pages 36 to 99 were approved and authorised for issue by the board of directors on 23 March 2012 and signed on its behalf by:

Li Liufa	**Li Heping**
DIRECTOR	DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Issued capital/ paid-in capital RMB'000 (Note 37)	Share premium RMB'000	Capital reserve RMB'000 (note i)	Statutory reserve fund RMB'000 (note ii)	Other reserve RMB'000 (note iii)	Revaluation reserve RMB'000 (note iv)	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2010	1,397,135	—	789,990	111,438	—	31,768	805,517	3,135,848	5,477	3,141,325
Profit for the year and total comprehensive income for the year	—	—	—	—	—	—	396,833	396,833	954	397,787
Acquisition of additional interest in a subsidiary	—	—	—	—	3,431	—	—	3,431	(6,431)	(3,000)
Transfer	—	—	—	44,297	—	—	(44,297)	—	—	—
At 31 December 2010	1,397,135	—	789,990	155,735	3,431	31,768	1,158,053	3,536,112	—	3,536,112
Profit for the year and total comprehensive income for the year	—	—	—	—	—	—	1,274,538	1,274,538	(1,350)	1,273,188
Issue of shares for reorganization	8	—	—	—	—	—	—	8	—	8
Reserve arising from reorganization (note v)	(1,397,135)	565,516	—	—	831,615	—	—	(4)	—	(4)
Capitalisation of shares	16,240	(16,240)	—	—	—	—	—	—	—	—
Issue of new shares to public	3,257	781,659	—	—	—	—	—	784,916	—	784,916
Issue costs of new shares	—	(79,610)	—	—	—	—	—	(79,610)	—	(79,610)
Capital injection by non-controlling shareholders to Tianjin Tianrui Cement Company Limited	—	—	—	—	—	—	—	—	40,000	40,000
Transfer	—	—	—	128,018	—	—	(128,018)	—	—	—
At 31 December 2011	**19,505**	**1,251,325**	**789,990**	**283,753**	**835,046**	**31,768**	**2,304,573**	**5,515,960**	**38,650**	**5,554,610**

Note:

i Capital reserve represents the excess of capital injection over the registered capital of Tianrui Group Cement Company Limited (the "Tianrui Cement").

ii According to the relevant requirements in the memorandum of the People's Republic of China (the "PRC") subsidiaries, a portion of their profits after taxation is transferred to statutory reserve fund. The transfer to this fund must be made before the distribution of dividend to the equity owners. The statutory reserve fund can be used to make up previous years' losses, if any. The statutory reserve fund is non-distributable other than upon liquidation.

iii Pursuant to an equity transfer agreement with non-controlling interest of a subsidiary, Tianrui Cement acquired the remaining interest in a subsidiary at a consideration of RMB3,000,000 in 2010. Other reserve represents the difference between the consideration paid by Tianrui Cement and the carrying amount of non-controlling interests being acquired. In addition, it also includes the reserve arising from the reorganization set out in Note 2.(1).

iv The revaluation reserve represents the revaluation surplus of previously held interests in associates of Tianrui Cement recognized directly in equity when Tianrui Cement acquired additional interests in those entities and obtained control.

v The China Tianrui Group Cement Company Limited (the "Company") was incorporated on 7 February 2011 and became the ultimate holding company of Zhong Yuan Cement Company Limited (the "Zhong Yuan Cement") and China Tianrui (Hong Kong) Company Limited (the "Tianrui (HK)") and Tianrui Cement and its subsidiaries (collectively referred to as the "Group") on 8 April 2011. As part of reorganization, Yu Kuo Company Limited applied a bridging loan in the net amount of USD87,433,333 to pay up 474,526 shares. The amount of USD87,433,333 (equal to approximately RMB565,516,000) in excess of the par value of 474,526 shares was recognized in share premium upon the completion of the corporate reorganization (the "Corporate Reorganization") (details refer to Note 2.(1)).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
Operating activities		
Profit before taxation	1,686,553	526,704
Adjustments for:		
Release of deferred income	(5,161)	(2,917)
Interest on bank deposits	(21,577)	(9,091)
Depreciation of property, plant and equipment	498,387	400,523
Finance costs	475,269	303,266
Foreign exchange gain	(11,102)	(8,843)
Amortisation of prepaid lease payments	11,172	9,948
Allowances for bad and doubtful debts	2,070	4,448
Impairment loss of property, plant and equipment	2,561	—
Amortisation of mining rights	10,714	12,118
Loss (gain) on disposal of property, plant and equipment	1,131	(1,434)
Provision for environmental restoration	2,834	2,210
Operating cash flows before movements in working capital	2,652,851	1,236,932
Increase in inventories	(402,290)	(144,825)
Increase in trade and other receivables	(1,269,515)	(586,136)
Increase in investment held for trading	(250,000)	—
Decrease (increase) in amounts due from related parties	3,869	(1,369)
Increase in trade and other payables	2,085,878	854,173
Decrease in amounts due to related parties	2	—
Cash generated from operations	2,820,795	1,358,775
Income tax paid	(392,780)	(73,752)
Net cash generated from operating activities	2,428,015	1,285,023
Investing activities		
Interest received	21,577	9,091
Purchase of property, plant and equipment	(195,940)	(422,795)
Addition of prepaid lease payments	(116,870)	(24,564)
Proceeds from disposal of property, plant and equipment	12,621	2,595
Acquisition of mining rights	(15,850)	(19,469)
Proceeds from disposal of available-for-sale investment	—	5,200
Investment in available-for-sale investment	—	(4,000)
Advances to related parties	(20,367)	(9,777)
Repayment from related parties	56,615	3,600
Deposits paid for property, plant and equipment and prepaid lease payments	(1,397,885)	(1,303,937)
Government subsidies for prepaid lease payments and property, plant and equipment	43,239	17,909
Increase in restricted bank balances	(550,760)	(1,067,974)
Net cash used in investing activities	(2,163,620)	(2,814,121)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
Financing activities		
Interest paid	**(551,675)**	(375,058)
Net proceed from issue of new shares for reorganization	**565,520**	—
Net proceed from issue of new shares to public	**705,306**	—
Capital injection from non-controlling shareholders to Tianjin Tianrui	**40,000**	—
Repayment of borrowings	**(3,194,903)**	(1,938,330)
New borrowings raised	**3,333,846**	2,400,226
Advances from related parties	**6,309**	11,140
Proceeds from bills discounted by the Group	**1,065,000**	218,500
Settlement from bills discounted by the Group	**(634,352)**	—
Proceeds from bills payables raised	**632,961**	753,985
Settlement of bills payables	**(2,061,810)**	(91,740)
Repayment to related parties	**(15,997)**	(3,325)
Payment for transfer in of equity interests of Tianrui Cement from Tianrui Group Company Limited	**(565,516)**	—
Acquisition of additional interest in a subsidiary	**—**	(3,000)
Issuance of mid-term debenture	**300,000**	—
Issuance of short-term debenture	**500,000**	500,000
Repayment of short-term debenture	**(500,000)**	—
Net cash generated (used in) from financing activities	**(375,311)**	1,472,398
Decrease in cash and cash equivalents	**(110,916)**	(56,700)
Cash and cash equivalents at beginning of year	**343,396**	400,096
Cash and cash equivalents at end of the year represented by cash and bank balances	**232,480**	343,396

1. GENERAL INFORMATION

China Tianrui Group Cement Company Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 7 February 2011. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 23 December 2011. The registered office of the Company is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and its principal place of business is located at No. 63, Guangcheng East Road, Ruzhou City, Henan 467500, the PRC.

The Company is an investment holding Company. The principal activity of its subsidiaries are manufacture and sale of cement and clinker. (See Note 46)

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIATED FINANCIAL STATMENTS

(1) Corporate Reorganization

Prior to the reorganization, Tianrui Group Company Limited ("Tianrui Group")（天瑞集團有限公司）(ultimately controlled by Mr. Li Liufa（李留法）and Mr. Li Xuanyu（李玄煜）, Titan Cement Limited ("Titan Cement"), International Finance Corporation ("IFC"), JPMorgan PCA Holdings (Mauritius) I Limited ("JPMG PCA") and Wan Qi Company Limited ("Wan Qi") each owned equity interest of Tianrui Cement of 47.5%, 20%, 3.6%, 10.03% and 18.87%, respectively.

In preparing the listing of the Company's shares on the Main Board of the Stock Exchange, the following steps have been carried out:

(a) On 7 April 2010, Yu Kuo Company Limited ("Yu Kuo") and Zhong Yuan Cement Company Limited ("Zhong Yuan Cement") were incorporated in the BVI. Yu Kuo subscribed for one share in Zhong Yuan Cement at par. The ultimate shareholders of Yu Kuo are Mr. Li Liufa (李留法) and Mr. Li Xuanyu (李玄煜). On 16 April 2010, Tianrui (HK) was incorporated in Hong Kong. Tianrui (HK) alloted and issued one share to initial subscriber who then transferred the same to Zhong Yuan Cement at par value on the same date. Zhong Yuan Cement became the (i) wholly owned subsidiary of Yu Kuo and (ii) immediate holding company of Tianrui (HK).

On 7 February 2011, the Company was incorporated in the Cayman Islands with one registered share at par value of HK$0.01 and fully paid by Yu Kuo. Pursuant to the equity transfer agreement dated 21 February 2011, the Company issued 473 shares to Yu Kuo in exchange for the 100% equity interest of Zhong Yuan Cement. Yu Kuo became the immediate holding company of the Company and the Company became the immediate holding company of Zhong Yuan Cement.

(b) On 22 March 2011, Tianrui Group entered into an equity transfer agreement with Tianrui (HK), pursuant to which, Tianrui Group transferred 47.5% equity interest in Tianrui Cement to Tianrui (HK) at a consideration of approximately USD87,433,333.

(c) On 22 March and 2 April 2011, the Company, Yu Kuo, Titan Cement, IFC, JPMG PCA and Wan Qi entered into various equity transfer agreements and a subscription agreement, pursuant to which, the Company agreed to allot and issue (i) 474,526 shares to Yu Kuo at a consideration of USD87,433,333; (ii) 200,000 shares to Titan Cement, 36,000 shares to IFC, 100,300 shares to JPMG PCA and 188,700 shares to Wan Qi , credited as fully paid to exchange their respective equity interests in Tianrui Cement.

2. BASIS OF PREPARATION OF CONSOLIATED FINANCIAL STATMENTS (Cont'd)

(1) Corporate Reorganization (Cont'd)

(d) On 8 April 2011, Titan Cement transferred 200,000 shares to its sole shareholder, Titan Investments S.à r.l. ("Titan Investments (Luxembourg"). On the same date, Titan Investments (Luxembourg) transferred the aforesaid 200,000 shares to its sole shareholder, Titan Investments Limited ("Titan Investments (Cayman)"). Upon completion of these transfers, all of the shares previously held by Titan Cement were directly held by Titan Investment (Cayman) and there is no change of ultimate beneficial interest of these shares.

Upon completion of the above steps on 8 April 2011, the Company became the ultimate holding company of Tianrui Cement. Yu Kuo (ultimately controlled by Mr. Li Liufa（李留法）and Mr. Li Xuanyu（李玄煜）, Titan Investment (Cayman) (holding company of Titan Cement), IFC, JPMG PCA and Wan Qi each owned 47.5%, 20%, 3.6%, 10.03% and 18.87% equity interests in the Company respectively which mirrors their respective percentage of equity interest in Tianrui Cement before the reorganization set out above. Accordingly, the Group resulting from the reorganization is regarded as a continuation of Tianrui Cement.

The consolidated financial statements of the Group have been prepared as if the Company had always been the holding company of the Group. The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the reporting periods have been prepared as if the group structure after the reorganization had been in existence throughout the reporting periods, or since the respective dates of incorporation/establishment of the relevant entities where this is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2010 have been prepared to present the assets and liabilities of the entities now comprising the Group which were in existence at that date.

(2) Going Concern Basis

As at 31 December 2011, the Group's current liabilities exceeded its current assets by RMB3,639,770,000. The Group's current liabilities mainly included trade and other payables and borrowings.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis. In the opinion of the directors of the Company, the Group should be able to continue as a going concern in the coming twelve months taking into consideration of various measures to improve its financial position which include, but are not limited to, the following:

(i) banking facilities of RMB2,570,000,000 in aggregate are available which are obtained before 31 December 2011, which comprised of:

(a) a banking facility of RMB1,180,000,000 from the Bank of China which is available until 31 December 2012;

(b) a banking facility of RMB1,390,000,000 from the Agricultural Bank of China which is available until 22 June 2013;

2. BASIS OF PREPARATION OF CONSOLIATED FINANCIAL STATMENTS (Cont'd)

(2) Going Concern Basis (Cont'd)

(ii) In October 2010, the Company obtained approval from the National Association of Financial Market Institutional Investors（中國銀行間市場交易商協會）to issue short term debentures in an aggregate amount of RMB1,000,000,000. The Group has repaid the first tranche debentures of RMB500,000,000 in November 2011 which has been re-issued in January 2012. The Group further issued the second tranche debentures of RMB500,000,000 in March 2011, which is repayable in March 2012.

The directors of the Company is of the view that the Group is able to identify investors and issue new debentures shortly after the settlement of the existing short term debentures on the respective maturity dates.

(iii) In November 2011, the Company obtained approval from the National Association of Financial Market Institutional Investors（中國銀行間市場交易商協會）to issue mid-term debentures in an aggregate amount of RMB500,000,000, of which RMB300,000,000 was issued on 6 December 2011 for a term of three years, carrying an interest rate of 8.4% per annum. The second tranche of mid-term debenture amount to RMB200,000,000 will be issued in April 2012.

Taking into account of the aforesaid presently available banking facilities, debentures and internally generated funds of the Group, the directors of the Company are satisfied that the Group is able to meet in full its financial obligations as they fall due in the foreseeable future and therefore the consolidated financial statements are prepared on a going concern basis.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the following new and revised standards, amendments and interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board has been effective.

Amendments to IFRSs	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

At the date of this report, the following new and revised IFRSs have been issued which are not yet effective:

IFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[1]
IFRS 7 (Amendments)	Disclosures - Offsetting Financial Assets and Financial Liabilities[2]
IFRS 9	Financial Instruments[3]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date and Transition Disclosures[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

IFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 *Financial Instruments* (as revised in October 2010) adds requirements for financial liabilities and for derecognition.

Under IFRS 9, all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The management anticipated that IFRS 9 will be adopted in the Group's consolidated financial statements for the year ending 31 December 2015 and that the application of the new standard is not expected to have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2011.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope. IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that the application of the other new or revised standards and amendments will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below which conform with IFRSs. These polices have been consistently applied throughout the reporting periods.

In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Companies Ordinance.

The principle accounting policies are set out below.

Basis of combination

The consolidated financial statements incorporate the financial statements of the subsidiaries controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on combination.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Total comprehensive income of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Changes in the Group's ownership interests in existing subsidiary

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the acquisition date less any accumulated impairment losses, if any and is presented separately in the consolidated statements of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

Investment in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statements of financial position at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and other comprehensive income of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

When a group entity transacts with its associate, profits and losses resulting from the transaction with the associate are recognized in the financial statements only to the extent of interests in the associate that are not related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognized when goods are delivered and legal title is passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year in which the item is derecognized.

Mining rights

Mining rights acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of mining rights with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Land use right

Prepaid lease payments represent payments made to acquire land use rights and are amortised on a straight-line basis over the term of the land use rights.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of relevant lease.

The Group as lessee

Operating leases payment is recognized as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recorded in the respective functional currency at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at those dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, goverment grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contribution.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated statements of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs are calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, available-for-sale and held for trading financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that requires delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the reporting periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties, restricted bank balances and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For available-for-sale investments measured at fair value at the end of each reporting period, changes in fair value are recognized in other comprehensive income and accumulated in equity. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the equity is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other income' of the consolidated statement of comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at the amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the group entities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis.

Financial liabilities

The Group's financial liabilities including trade and other payables, amounts due to related parties, short term debenture, mid-term debenture and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognized as an expense.

Transaction costs related jointly to concurrent offering of some shares and listing of shares are allocated using a basis of allocation that is rational and consistent with similar transactions.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognize the financial assets and recognize a collateralised borrowing for proceeds received.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Provision for environmental restoration

The Group is required to incur costs for environment restoration after the underground sites have been mined. Provision for restoration costs were recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provision is measured at the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the management is required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group assesses annually the residual value and the remaining useful life of property, plant and equipment and if the expectation differs from the original estimates, such differences from the original estimates will impact the depreciation charges in the current year in which the estimates change and in future periods.

Estimated impairment of trade receivables

Where there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of trade receivables are RMB203,558,000 (net of allowance for doubtful debts of RMB33,301,000) (31 December 2010: RMB192,165,000 (net of allowance for doubtful debts of RMB31,231,000)).

6. REVENUE

Revenue represents the amount received and receivable for goods sold to external customers, net of sales tax.

An analysis of the Group's revenue for the year is as below:

	2011	2010
	RMB'000	RMB'000
Sales of cement	**6,530,507**	4,992,139
Sales of clinker	**1,732,888**	1,137,299
	8,263,395	6,129,438

7. SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports, which are regularly reviewed by the chief executive officer (being the chief operating decision maker) in order to allocate resources to the operating segments and to assess their performance.

The Group's chief executive officer reviews the operating results and financial information of each manufacturing plant for the purposes of resource allocation and performance assessment. Hence, each manufacturing plant is an operating segment. The nature of products, production process of each manufactory plant is the same and they are operated under similar regulatory environment and applied similar distribution methods. However, customers in different regions are of different economic characteristics. Therefore, the Group has aggregated the operating segments and presented the following two reportable segments based on the regions in which the Group operates: Central China and Northeast China.

The following is an analysis of the Group's revenue and results by reportable segment:

	Segment revenue		**Segment profit**	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Central China	**5,579,384**	4,403,309	**1,147,820**	435,933
Northeastern China	**2,684,011**	1,726,129	**571,344**	114,211
Total	**8,263,395**	6,129,438	**1,719,164**	550,144
Unallocated corporate administrative expenses			**(32,611)**	(23,440)
Profit before taxation			**1,686,553**	526,704

The accounting policies of the reportable segments are the same as the Group's accounting polices described in Note 4. Segment profit represents the profit before taxation without allocation unallocated corporate administrative expense including directors' emoluments.

Segment revenues are derived from sales to external customers. There are no inter-segment sales.

7. SEGMENT INFORMATION (Cont'd)

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2011 RMB'000	2010 RMB'000
SEGMENT ASSETS		
Central China	9,868,981	8,321,595
Northeast China	4,839,078	3,580,759
Total segment assets	14,708,059	11,902,354
Available-for-sale investments	4,000	4,000
Investments held for trading	250,000	—
Deferred tax assets	15,285	8,528
Trade and other receivables	53,373	—
Restricted bank balances	1,974,648	1,423,888
Cash and bank balances	232,480	343,396
Total assets	17,237,845	13,682,166
SEGMENT LIABILITIES		
Central China	7,114,457	6,710,804
Northeast China	4,415,695	3,327,741
Total segment liabilities	11,530,152	10,038,545
Deferred tax liabilities	24,222	23,623
Income tax payable	110,629	83,886
Trade and other payables	18,232	—
Total liabilities	11,683,235	10,146,054

For the purposes of monitoring segment performances and allocating resources between segments:

— all assets are allocated to reportable segments other than available-for-sale investments, investments held for trading, deferred tax assets, cash and bank balances, restricted bank balances; and

— all liabilities are allocated to reportable segments other than deferred tax liabilities and income tax payable.

7. SEGMENT INFORMATION (Cont'd)

Other segment information

Amounts included in the measure of segment profit and segment assets:

For the year ended 31 December 2011

	Central China RMB'000	Northeast China RMB'000	Total RMB'000
Additions to property, plant & equipment	**739,216**	**1,143,685**	**1,882,901**
Additions to prepaid lease payments	**46,753**	**70,117**	**116,870**
Additions to mining rights	**4,747**	**—**	**4,747**
Finance costs	**281,898**	**193,371**	**475,269**
Provision for environmental restoration	**2,062**	**772**	**2,834**
Impairment of property, plant and equipment	**2,561**	**—**	**2,561**
Depreciation and amortisation	**374,174**	**146,099**	**520,273**
Allowances for bad and doubtful debts	**3,090**	**(1,020)**	**2,070**
Loss (gain) on disposal of property, plant and equipment	**(683)**	**1,814**	**1,131**
Value Added Tax refund	**(125,248)**	**(39,176)**	**(164,424)**
Foreign exchange gain, net	**(10,790)**	**(312)**	**(11,102)**
Incentive subsidies	**(29,983)**	**(14,978)**	**(44,961)**
Interest on bank deposits	**(14,127)**	**(7,450)**	**(21,577)**

For the year ended 31 December 2010

	Central China RMB'000	Northeast China RMB'000	Total RMB'000
Additions to property, plant & equipment	1,146,812	604,838	1,751,650
Additions to prepaid lease payments	24,564	—	24,564
Additions to mining rights	18,445	—	18,445
Finance costs	208,176	95,090	303,266
Provision for environmental restoration	1,666	544	2,210
Depreciation and amortisation	313,049	109,540	422,589
(Reversal) allowances for bad and doubtful debts	(379)	4,827	4,448
Gain on disposal of property, plant and equipment	(1,148)	(286)	(1,434)
Value Added Tax refund	(96,279)	(18,184)	(114,463)
Foreign exchange gain, net	(7,417)	(1,426)	(8,843)
Incentive subsidies	(16,298)	(17,479)	(33,777)
Interest on bank deposits	(6,335)	(2,756)	(9,091)

Revenue from major products has been disclosed in Note 6. All of the Group's operations, as well as all external customers and its non-current assets, are located in the PRC.

No revenue from a single customer or a group of customers under common control contributing over 10% of the total revenue of the Group for the year ended 31 December 2011.

8. OTHER INCOME

	2011 RMB'000	2010 RMB'000
Value Added Tax refund	164,424	114,463
Incentive subsidies (Note)	44,961	33,777
Foreign exchange gain, net	11,102	8,843
Interest on bank deposits	21,577	9,091
Rental income	2,486	2,404
Release of deferred income (Note 35)	5,161	2,917
Gain on sales of scrap	35,936	9,789
Gain on disposal of property, plant and equipment	—	1,434
Others	8,170	5,736
	293,817	188,454

Note: Amounts mainly represent subsidies granted by certain local governments for encouraging domestic business development.

9. FINANCE COSTS

	2011 RMB'000	2010 RMB'000
Interest on:		
Bank borrowings wholly repayable within five years	366,346	319,047
Bank borrowings not wholly repayable within five years	—	16,836
Other payables	1,672	1,944
Bills discounted with recourse	134,697	52,629
Short term debenture	31,613	1,708
Mid-term debenture	1,495	—
Imputed interest on other payables	901	876
	536,724	393,040
Less: amounts capitalised	(61,455)	(89,774)
	475,269	303,266

The borrowing costs on general borrowing pool capitalized are calculated by applying capitalization rate of 6.15% per annum for the year ended 31 December 2011 (2010: 6.1% per annum).

10. INCOME TAX EXPENSES

	2011 RMB'000	2010 RMB'000
PRC Enterprise Income Tax ("EIT")		
- current year	**418,002**	127,757
- under-provision in prior years	**1,521**	1,834
	419,523	129,591
Deferred tax (Note 34)	**(6,158)**	(674)
	413,365	128,917

No provision for Hong Kong taxation has been made during the year as the Group's income neither arisen nor is derived from Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "PRC EIT Law") and Implementation Regulation of the PRC EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to Ping Guo Shui Han 2007 No. 59 issued by the State Administration of Taxation at Pingdingshan, Henan province, the PRC, Tianrui Cement was entitled to an exemption from EIT in year 2007 and 2008, followed by a 50% relief for year 2009 to 2011.

The income tax expenses for the year can be reconciled to profit before taxation per consolidated statements of comprehensive income as follows:

	2011 RMB'000	2010 RMB'000
Profit before taxation	**1,686,553**	526,704
Tax at the applicable rate of 25%	**421,638**	131,676
Tax effect of expenses that are not deductible	**7,083**	4,150
Tax effect of concessionary rate	**(5,076)**	478
Effect of tax incentives (Note)	**(9,782)**	(6,871)
Tax effect of tax losses not recognized	**2,795**	1,623
Utilisation of tax losses previously not recognized	**(3,865)**	(3,219)
Under-provision in prior years	**1,521**	1,834
Others	**(949)**	(754)
Tax charge for the year	**413,365**	128,917

Note: According to Caishui (2008) No.48 and Caishui (2008) No.115 issued by the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission, for the year ended 31 December 2011, the Group obtained incentives of additional deduction from local tax authorities for purchase of environmental protection equipments of RMB39,128,000 (2010: RMB27,484,000).

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2011 RMB'000	2010 RMB'000
Depreciation of property, plant and equipment	498,387	400,523
Amortisation of prepaid lease payments	11,172	9,948
Amortisation of mining rights, included in cost of sales	10,714	12,118
Total depreciation and amortisation	520,273	422,589
Cost of inventories recognized as an expense	5,830,467	5,080,258
Staff costs including retirement benefit	220,006	147,567
Allowances for bad and doubtful debts, included in other expenses	2,070	4,448
Impairment of property, plant and equipment	2,561	—
Auditor's remuneration	2,530	2,250
Loss (gain) on disposal of property, plant and equipment	1,131	(1,434)
Listing expense	34,545	—

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

The executive and non-executive directors were appointed on 9 December 2011 and their emoluments is payable from 23 December 2011, the date of listing of the Company's shares on the Main Board of the Stock Exchange. Before the appointment, their emoluments were born by Tianrui Group. Details of the emoluments paid to the directors of the Company for the year are as follows:

	2011 RMB'000
Salaries and allowances	—
Retirement benefit scheme contribution	—
	—
Executive directors:	
Mr. Li Heping	—
Mr. Yu Yagang	—
Mr. Liu Wenying	—
Non-Executive directors:	
Mr. Li Liufa	—
Mr. Tang Ming Chien	—
Mr. Wang Yanmou	—
Mr. Poon Chiu Kwok	—
Mr. Song Quanqi	—
Mr. Ma Chun Fung Horace	—
	—

No directors waived or agreed to waive any emoluments during the year.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

Employees

Of the five individuals with the highest emoluments in the Group during the year, none is director of the Company for the year ended 31 December 2011(2010: None). The details of the emoluments paid to the five highest paid individuals during the year are as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other allowances	720	480
Bonus	1,963	1,635
Retirement benefit scheme contribution	55	33
	2,738	2,148

The emolument of each of the above employees is below HK$1,000,000 (equivalent to approximately RMB810,700).

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company for the each of reporting period is based on the following data:

	2011 RMB'000	2010 RMB'000
Earnings		
Profit for the year attributable to owners of the Company (in thousands)	1,274,538	396,833
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share (in thousands)	2,009,885	2,000,000
Effect of dilutive potential ordinary shares:		
Over-allotment options	296	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,010,181	N/A

The calculation of the basic earnings per share is based on the consolidated profit of the Group attributable to owners of the Company for the years ended 31 December 2010 and 2011 and assuming 2,000,000,000 shares and 2,009,885,000 shares of the Company were in issue during the year ended 31 December 2010 and 2011 respectively after taking into account the reorganization and capitalization issue (details refer to Note 37).

14. DIVIDEND

No dividend has been paid or declared by any group entities during the both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2010	2,954,337	3,902,473	80,596	67,772	1,202,383	8,207,561
Additions	156,958	236,630	18,772	5,267	1,334,023	1,751,650
Disposals	—	(4,249)	(5,842)	(11)	—	(10,102)
Transfer	760,898	1,202,397	—	—	(1,963,295)	—
At 31 December 2010	3,872,193	5,337,251	93,526	73,028	573,111	9,949,109
Additions	178,656	69,767	12,931	4,697	1,616,850	1,882,901
Disposals	(2,748)	(11,722)	(5,554)	(596)	—	(20,620)
Transfer	723,735	588,692	—	—	(1,312,427)	—
At 31 December 2011	**4,771,836**	**5,983,988**	**100,903**	**77,129**	**877,534**	**11,811,390**
DEPRECIATION AND IMPAIRMENT						
At 1 January 2010	221,397	584,787	34,177	45,183	—	885,544
Provided for the year	101,548	272,309	14,925	11,741	—	400,523
Eliminated on disposals	—	(392)	(3,272)	(8)	—	(3,672)
At 31 December 2010	322,945	856,704	45,830	56,916	—	1,282,395
Provided for the year	128,515	337,825	15,710	16,337	—	498,387
Impairment loss recognised in profit or loss	2,315	246	—	—	—	2,561
Eliminated on disposals	(223)	(1,949)	(4,166)	(530)	—	(6,868)
At 31 December 2011	**453,552**	**1,192,826**	**57,374**	**72,723**	**—**	**1,776,475**
CARRYING AMOUNTS						
At 31 December 2010	3,549,248	4,480,547	47,696	16,112	573,111	8,666,714
At 31 December 2011	**4,318,284**	**4,791,162**	**43,529**	**4,406**	**877,534**	**10,034,915**

15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Buildings are located in the PRC on medium term leasehold land. The above items of property, plant and equipment, other than construction in progress, are depreciated over their useful lives, after taking into account the estimated residual value, on a straight-line basis:

Buildings	30 years
Plant and machinery	5-15 years
Motor vehicles	5 years
Office equipment	5 years

During the year, the management conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired due to technical obsolescence. Accordingly, impairment losses of RMB2,561,000 has been recognized in respect of factory buildings, plant and machinery, which are used for cement production in Lushan Xian Antai Cement Company Limited, a subsidiary of the Group. The recoverable amounts of the relevant assets have been identified individually and fully impaired.

Details of the property, plant and equipment pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 38.

The carrying amounts of buildings, which the application to obtain the ownership certificates is still in process, are approximately RMB21,038,000 as at 31 December 2011 (31 December 2010: RMB21,859,000).

16. DEPOSITS PAID

As at 31 December 2011 and 2010, amounts represented deposits paid for acquiring property, plant and equipment and land use rights.

17. PREPAID LEASE PAYMENTS

	Prepaid lease payments RMB'000
At 1 January 2010	497,037
Additions	24,564
Capitalised to construction in progress	(889)
Amortisation charged to profit or loss	(9,948)
At 31 December 2010	510,764
Additions	116,870
Capitalised to construction in progress	(1,170)
Amortisation charged to profit or loss	(11,172)
At 31 December 2011	**615,292**

Analysis for reporting purposes as:

	2011 RMB'000	2010 RMB'000
Current assets included in trade and other receivables (Note 23)	12,801	10,837
Non-current assets	602,491	499,927
	615,292	510,764

The carrying amounts of land use right, which the application to obtain the certificates is still in process, are approximately RMB56,253,000 as at 31 December 2011 (31 December 2010: RMB57,605,000).

Prepaid lease payments represent medium-term land use right in the PRC and are amortised over the lease term of the respective leases.

Details of the land use rights pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 38.

18. MINING RIGHTS

	Mining rights
	RMB'000
COST	
At 1 January 2010	237,725
Additions	18,445
At 31 December 2010	256,170
Additions	4,747
At 31 December 2011	**260,917**
ACCUMULATED AMORTISATION	
At 1 January 2010	15,552
Amortisation	12,118
At 31 December 2010	27,670
Amortisation	10,714
At 31 December 2011	**38,384**
CARRYING AMOUNTS	
At 31 December 2010	228,500
At 31 December 2011	**222,533**

The useful lives of the mining rights in respect of limestone sites located in the PRC, mainly ranged from 10-33 years.

Details of the mining rights pledged by the Group to secure the bank loans granted to the Group are set out in Note 38.

19. GOODWILL

For the purposes of impairment testing, goodwill has been allocated to two cash generating units ("CGUs"), comprising two subsidiaries in the Central China segment. The carrying amounts of goodwill as at 31 December 2011 and 2010 allocated to these units are as follows:

	As at 1 January 2010, 31 December 2010 and 2011 RMB'000
Central China segment:	
Weihui Shi Tianrui Cement Company Limited	10,502
Zhengzhou Tianrui Cement Company Limited	1,773
	12,275

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amounts of the relevant CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective subsidiary covering a one-year period with growth rates of 1% for the following 4 years and discount rate of 7.1% as at 31 December 2011 (31 December 2010: 6.6%), respectively. This growth rate is based on the industry growth forecasts and does not exceed the average medium-term growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated using zero growth rate. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development.

The management determines that there are no impairment of any of its CGUs containing goodwill as at 31 December 2011.

20. INTEREST IN AN ASSOCIATE

	2011 **RMB'000**	2010 RMB'000
Cost of investment in an associate	**120,000**	120,000
Share of post-acquisition losses	**(120,000)**	(120,000)
	—	—

Details of the associate as at 31 December 2011 is as follows:

Name of company	**Place and date of incorporation**	**Registered capital** RMB'000	**Attributable equity interest to the Group**	**Principal activities**
Pingdingshan Ruiping Shilong Cement Company Limited 平頂山瑞平石龍水泥有限公司	The PRC 12 September 2005	300,000	40%	Manufacture and sale of clinker

20. INTEREST IN AN ASSOCIATE (Cont'd)

The summarised financial information in respect of the Group's associate is set out below:

	2011 RMB'000	2010 RMB'000
Total assets	747,245	738,576
Total liabilities	859,545	816,574
Net liabilities	(112,300)	(77,998)
Group's share of net assets of associate	—	—
Revenue	340,707	49,748
Loss for the year	(34,302)	(77,327)
Group's share of losses of the associate for the year	—	—

The Group has discontinued recognition of its share of losses of the associate. The amounts of unrecognized share of loss of the associate, extracted from the financial statements of the associate prepared in accordance with International Financial Reporting Standards, are as follows:

	2011 RMB'000	2010 RMB'000
Unrecognized share of loss of the associate for the year	13,720	30,931
Accumulated unrecognized share of loss of the associate	44,920	31,200

21. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2011 RMB'000	2010 RMB'000
Listed investment, at fair value (Note)	**4,000**	4,000

Note: As at 31 December 2011 and 2010, the amount represents investment in a listed open-ended fund on Shenzhen Stock Exchange. During the year 2011, the listed investment is reclassed as current assets because the Group has a plan to dispose this investment within twelve months from the end of current year.

22. INVENTORIES

	2011 RMB'000	2010 RMB'000
Raw materials and consumables	**761,821**	572,165
Work-in-progress	**6,755**	9,585
Finished goods	**434,575**	219,111
	1,203,151	800,861

23. TRADE AND OTHER RECEIVABLES

	2011 RMB'000	2010 RMB'000
Trade receivables	**236,859**	223,396
Less: allowances for bad and doubtful debts	**33,301**	31,231
	203,558	192,165
Bills receivables	**1,159,789**	498,686
Advance to suppliers	**866,217**	255,974
Value Added Tax refund receivables	**18,849**	37,014
Prepayment for various tax	**74,063**	129,024
Prepaid lease payments (Note 17)	**12,801**	10,837
Other receivables	**119,655**	56,217
	2,454,932	1,179,917

Bills receivables amounted to RMB430,649,000 as at 31 December 2011(31 December 2010: RMB218,500,000) were discounted to banks to obtain borrowings. (See Note 31)

Generally, the Group did not make credit sales to customers, except for sales made to major construction contractors and strategic customers with an average credit period of 180 days.

23. TRADE AND OTHER RECEIVABLES (Cont'd)

The aged analysis of the Group's trade receivables and bills receivables (net of allowances) from the goods delivery date at the end of each reporting period is as follows:

	2011 RMB'000	2010 RMB'000
Within 90 days	625,983	376,856
91-180 days	687,188	293,089
181-360 days	19,915	17,463
Over 1 year	30,261	3,443
Total	1,363,347	690,851

Before accepting any new credit customers, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit period attributed to customers are reviewed on a customer by customer basis. Over 90% of trade receivable and bills receivable that are neither past due nor impaired are regarded as customers with good credit quality under the internal assessment process used by the Group.

Included in the Group's trade receivable are debtors with aggregate carrying amount of RMB50,176,000 which are past due as at 31 December 2011 (31 December 2010: RMB20,906,000) for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. No allowance has been provided for those balances as the Group considers that there is no significant change in the credit quality of those customers from the date credit was initially granted up to the end of the reporting period.

The aged analysis of the Group's trade receivables which are past due but not impaired as at the end of each reporting period is as follows:

	2011 RMB'000	2010 RMB'000
181-360 days	19,915	17,463
Over 1 year	30,261	3,443
Total	50,176	20,906

Movement in the allowance for bad and doubtful debts

	2011 RMB'000	2010 RMB'000
Balance at beginning of the year	31,231	26,783
Provided for the year	2,070	4,448
Balance at the end of the year	33,301	31,231

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of RMB33,301,000 (31 December 2010: RMB31,231,000) which was considered as uncollectable. The Group does not hold any collateral over these balances.

Details of trade and other receivables pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 38.

24. AMOUNTS DUE FROM RELATED PARTIES

	2011 RMB'000	2010 RMB'000
Current	572	12,618
Non-current	—	28,070
	572	40,688
Trade in nature	572	4,441
Non-trade in nature	—	36,247
Total	572	40,688

Trade in nature

		2011 RMB'000	2010 RMB'000
Zhongqing (Ruzhou) Power Company Limited (中青（汝州）電力有限公司)	i	—	1,356
Henan Tianrui Yaoshan Travel Company Limited (河南天瑞堯山旅遊有限公司)	i	—	182
Tianrui Group Tourism Development Company Limited (天瑞集團旅遊發展有限公司)	i	—	1,434
Tianrui Group Yunyang Foundry Company Limited (天瑞集團雲陽鑄造有限公司)	i	—	81
Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	ii	572	1,388
		572	4,441

The Group makes credit sales to related parties with a maximum credit period of 180 days.

The aged analysis of the Group's amounts due from related parties (trade in nature) from the goods delivery date as at the end of each reporting period is as follows:

	2011 RMB'000	2010 RMB'000
Within 90 days	523	1,388
91-180 days	49	—
Over 180 days	—	3,053
	572	4,441

24. AMOUNTS DUE FROM RELATED PARTIES (Cont'd)

Trade in nature (Cont'd)

The aged analysis of the Group's amounts due from related parties which are past due but not impaired as at the end of each reporting period is as follows:

	2011 RMB'000	2010 RMB'000
Over 180 days	—	3,053

No allowance has been provided for those balances as the Group closely monitors the financial position of the relevant related parties and considers those amounts are recoverable up to the reporting date. The Group did not hold any collateral over these balances.

Non-trade in nature

		2011 RMB'000	2010 RMB'000
Ruzhou Shi Thermal Power Plant （汝州市火電廠）*	i	—	28,070
Ruzhou Tianrui Coking Company Limited （汝州天瑞煤焦化有限公司）**	i	—	1,400
Tianrui Group Yunyang Foundry Company Limited （天瑞集團雲陽鑄造有限公司）**	i	—	1,694
Pingdingshan Ruiping Shilong Cement Company Limited （平頂山瑞平石龍水泥有限公司）**	ii	—	5,083
		—	36,247

* The amounts represent advances for the acquisition of land use rights in the PRC which were currently occupied by Ruzhou Shi Thermal Power Plant (汝州市火電廠) and is therefore classified as non-current assets. The amount has been fully repaid during the year.

** The amounts are unsecured, interest-free and repayable on demand.

Note:

i. Subsidiaries of Tianrui Group Company Limited (天瑞集團有限公司);

ii. An associate of the Group.

25. INVESTMENTS HELD FOR TRADING

	2011 RMB'000	2010 RMB'000
Investment, at fair value (Note)	**250,000**	—

Note: As at 31 December 2011, the amount represents fair value of the investment in an open-ended financing products of China Construction Bank.

26. RESTRICTED BANK BALANCES

Restricted bank balances represent deposits pledged to banks for (i) securing bank borrowings granted to the Group amounting to RMB101,750,000 as at 31 December 2011(31 December 2010: RMB171,750,000)(details disclosed in Note 38), and (ii) issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB1,213,583,000 as at 31 December 2011(31 December 2010: RMB1,252,138,000), and (iii) restricted bank balances will be used to repay part of the IFC loan and the Syndicated loan (details refer to Note 31) amounting to RMB659,315,000 as at 31 December 2011(31 December 2010: Nil).

The restricted bank balances carry market interest rate of 0.36% to 3.50% per annum as at 31 December 2011(31 December 2010: 0.36% to 2.75% per annum).

27. CASH AND BANK BALANCES

The amounts represent cash and bank balances held by the Group. As at 31 December 2011, bank balances carry interest at market rates of 0.36% and 0.5% per annum (31 December 2010: 0.36% per annum).

28. TRADE AND OTHER PAYABLES

	2011 RMB'000	2010 RMB'000
Trade payables	2,319,152	1,247,388
Bills payables	1,014,943	1,653,368
Construction cost and retention payable	360,842	335,822
Advances from customers	228,716	97,162
Other tax payables	65,986	76,516
Other payables - current (Note 33)	8,600	10,999
Payables for mining rights	15,538	22,042
Other payables and accrued expenses	187,656	134,012
	4,201,433	3,577,309

The average credit period on purchases of goods is 90 days.

The aged analysis of the Group's trade and bills payable from the goods receipt date as at the end of each reporting period is as follows:

	2011 RMB'000	2010 RMB'000
Within 1-90 days	3,094,337	1,826,991
91-180 days	198,251	983,696
181-365 days	15,964	69,052
Over 1 year	25,543	21,017
Total	3,334,095	2,900,756

29. AMOUNTS DUE TO RELATED PARTIES

	2011 RMB'000	2010 RMB'000
Trade in nature	139	137
Non-trade in nature	500	10,188
	639	10,325

Trade in nature

	Note	2011 RMB'000	2010 RMB'000
Ruzhou Shi Thermal Power Plant (汝州市火電廠)	i	—	9
Tianrui Group Tourism Development Company Limited (天瑞集團旅遊發展有限公司)	i	—	32
Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	ii	139	96
		139	137

The average credit period offered by related parties is 90 days.

The aged analysis of the Group's amounts due to related parties (trade in nature) from service/goods receipt date at the end of each year is as follows:

	2011 RMB'000	2010 RMB'000
Within 90 days	139	—
Over 90 days	—	137
	139	137

Non-trade in nature

	Note	2011 RMB'000	2010 RMB'000
Tianrui Group Company Limited (天瑞集團有限公司)		—	688
Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	ii	500	500
Tianrui Group Yunyang Foundry Company Limited (天瑞集團雲陽鑄造有限公司)	i	—	9,000
		500	10,188

Note:

i. Subsidiaries of Tianrui Group Company Limited (天瑞集團有限公司);

ii. An associate of the Group.

30. SHORT TERM DEBENTURE

	2011 RMB'000	2010 RMB'000
Short term debenture	500,000	500,000

The amounts as at 31 December 2010 represented the issuance of the first tranche of short term debentures of RMB500,000,000 on 9 November 2010 and has been repaid in November 2011. The amounts as at 31 December 2011 represented the issuance of the second tranche of short term debentures of RMB500,000,000 on 8 March 2011 through the lead underwriter, China Guangfa Bank Company Limited, with maturity of one year, which has been repaid in March 2012. The two tranche of short term debentures carries fixed interest at 4.10% and 5.55% per annum respectively.

31. BORROWINGS

	2011 RMB'000	2010 RMB'000
Bank borrowings		
– fixed-rate (i)	1,497,267	1,154,500
– variable-rate (ii)	3,542,175	3,081,780
IFC loan at variable-rate (iii)/(vii)	183,041	247,358
Syndicated loans at variable-rate (iv)/(vii)	703,730	1,093,515
	5,926,213	5,577,153
Bank borrowing relating to bills discounted with resources (v)	430,649	218,500
Other loans at fixed-rate (vi)	—	2,720
	6,356,862	5,798,373
Secured	6,131,862	5,665,653
Unsecured	225,000	132,720
	6,356,862	5,798,373

The borrowings are repayable as follows:

	2011 RMB'000	2010 RMB'000
On demand or within one year	4,946,852	3,777,373
More than one year, but not exceeding two years	718,010	577,000
More than two years, but not exceeding five years	692,000	1,413,000
More than five years	—	31,000
	6,356,862	5,798,373
Less: Amount due within one year shown under current liabilities	(4,946,852)	(3,777,373)
Amount due after one year	1,410,010	2,021,000

31. BORROWINGS (Cont'd)

Note:

i As at 31 December 2011, the fixed-rate borrowings carry interests ranged from 5.31% to 11.81% per annum (31 December 2010: from 5.31% to 10.68% per annum).

ii As at 31 December 2011, the variable-rate borrowings carry interests ranged from 6.31% to 8.20% per annum (31 December 2010: from 5.31% to 7.68% per annum). The interest rate is determined based on the Benchmark Interest Rate announced by People's Bank of China.

iii As at 31 December 2011, the interest rate for the Group's IFC loan is determined based on London Interbank Offered Rate ("LIBOR") plus 2.288% (31 December 2010: LIBOR plus 2.288%).

iv As at 31 December 2011 and 2010, the interest rate for the Group's syndicated loan is 95% of the 3-5 years Benchmark Interest Rates announced by the People's Bank of China.

v As at 31 December 2011, the amounts represented (i) intercompany bills receivables amounted to RMB200,000,000 (31 December 2010: RMB218,500,000) arising from intercompany transactions discounted to various financial institutions with full recourse, and (ii) bills receivables amounted to RMB230,649,000 (31 December 2010: Nil), received from customers discounted to various banks with full recourse. The discounted bills carried fixed interests ranging from 3.58% to 7.68% per annum as at 31 December 2011 (31 December 2010: from 3.21% to 4.75% per annum).

vi As at 31 December 2010, the amount represented a loan from an independent third party, Zhengzhou Baisha County Labor Protection Bureau 鄭州市白沙鎮勞保所 amounted to RMB2,720,000 and carried fixed interests at 9.6%. Such borrowing is unsecured and repayable on demand. The loan was fully settled during the year 2011.

vii In respect of the loans with the carrying amounts of RMB886,771,000 as at 31 December 2011(31 December 2010: RMB1,229,196,000) the Group breached certain of the terms of the loans and the lenders have the right to demand immediate payment. The borrowings have been classified as a current liability as at 31 December 2011 and 2010. The Group has fully repaid these loans in February 2012.

Details of assets pledged to secure bank borrowings are set out in Note 38.

32. MID-TERM DEBENTURE

	2011 RMB'000	2010 RMB'000
Mid-term debenture	**300,000**	—

The amounts as at 31 December 2011 represented the issuance of mid-term debentrue of RMB300,000,000 on 6 December 2011. In November 2011, the Group had obtained approval from the National Association of Financial Market Institutional Investors (中國銀行間交易商協會) to issue mid-term debentures in an aggregate amount of RMB500,000,000, of which RMB300,000,000 was issued for a term of three years in December 2011, carrying an interest rate of 8.4% per annum.

33. OTHER PAYABLES

	2011 RMB'000	2010 RMB'000
Acquisition of mining rights	**38,837**	45,236
Less: Amount due within one year shown under trade and other payables (Note 28)	**(8,600)**	(10,999)
	30,237	34,237

The amounts represented the payables for acquisition of mining rights.

Pursuant to the purchase agreement entered into between Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司) and Dalian Municipal Bureau of Land and Resources and Housing (大連市國土資源和房屋局) in 2007, Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司) acquired mining rights at a consideration of approximately RMB52,068,000 which is repayable by 6 installments between 2007 to 2017 every 2 years. The amount bears interest at progressive rates ranged from 5.87% to 7.83% per annum.

Pursuant to the purchase agreement entered into between Weihui Shi Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司) and Weihui Municipal Bureau of Geological and Mineral Resources (衛輝市地質礦產局) in 2007, Weihui Shi Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司) acquired mining rights at a consideration of RMB35,000,000 which is repayable by 8 installments between 2007 to 2014 annually. The amount is interest free. The fair value of the outstanding amount at initial recognition is estimated at an effective interest rate of 6.89% per annum.

34. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognized by the Group, and the movements thereon, during the year:

	Allowance on inventories and trade and other receivables RMB'000	Depreciation on property, plant, equipment and prepaid lease payments RMB'000	Imputed interest on other payables RMB'000	Others RMB'000 (note)	Total RMB'000
At 1 January 2010	6,590	(28,464)	(1,160)	7,265	(15,769)
Credit (charge) to profit or loss for the year	934	1,014	219	(1,493)	674
At 31 December 2010	7,524	(27,450)	(941)	5,772	(15,095)
Credit to profit or loss for the year	2,792	1,355	225	1,786	6,158
At 31 December 2011	10,316	(26,095)	(716)	7,558	(8,937)

Note: Amounts of others mainly represented the deferred tax assets arising from start-up costs and provision for environmental restoration.

34. DEFERRED TAXATION (Cont'd)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2011 RMB'000	2010 RMB'000
Deferred tax assets	15,285	8,528
Deferred tax liabilities	(24,222)	(23,623)
	(8,937)	(15,095)

At 31 December 2011, the Group has unused tax losses of approximately RMB13,969,000 (31 December 2010: RMB18,249,000) available for offset against future profits. No deferred tax asset has been recognized in respect of these tax losses due to unpredictability of future profit streams in respective subsidiaries. The unrecognized tax loss will be expired as follows:

	2011 RMB'000	2010 RMB'000
2014	121	11,757
2015	2,668	6,492
2016	11,180	—
	13,969	18,249

Under the PRC EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profit of the PRC subsidiaries amounting to RMB2,742,238,000 as at 31 December 2011 (31 December 2010: RMB1,472,638,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

35. DEFERRED INCOME

	2011 RMB'000	2010 RMB'000
Assets-related government grants	149,804	111,726

The assets-related government grants represent the subsidies received by the Group for the purpose of acquiring land use rights to build new production lines in the PRC and acquiring qualified energy conservation equipment. An amount of approximately RMB5,161,000 was released to "other income" during the year ended 31 December 2011 (2010: RMB2,917,000).

36. PROVISION FOR ENVIRONMENTAL RESTORATION

	Environmental restoration
	RMB'000
At 1 January 2010	4,365
Provision for the year	2,210
At 31 December 2010	6,575
Provision for the year	2,834
At 31 December 2011	9,409

According to the regulation issued in 2009 by the Ministry of Land and Resources (國土資源部), the user of a mine should undertake the obligation of environmental restoration. After taking into account the quantity of limestone mined and the timing of mine restoration in future, a provision has been recognized for the costs expected to be incurred for the restoration of the limestone mines. Addition in provision is recognized as cost of sales of the related limestone mined and sold.

37. ISSUED CAPITAL/PAID-IN CAPITAL

The Company

	Number of shares	**Share capital**	
		HK$'000	RMB'000
Ordinary share of HK$0.01 each:			
Authorised			
On incorporation	38,000,000	380	316
Additions (Note d)	9,962,000,000	99,620	80,754
At 31 December 2011	10,000,000,000	100,000	81,070
Issued			
On incorporation (Note a)	1	—	—
Issued on 21 February and 2 April 2011 (Note b)	474,999	5	4
Issued on 2 April 2011 (Note c)	525,000	5	4
Issued on 23 December 2011(Note e)	1,999,000,000	19,990	16,240
Issued on 23 December 2011(Note f)	400,900,000	4,009	3,257
As at 31 December 2011	2,400,900,000	24,009	19,505

The Company was incorporated on 7 February 2011 and became the ultimate holding company of Tianrui Cement on 8 April 2011. The issued capital at 31 December 2011 represents the issued share capital of the Company.

37. ISSUED CAPITAL/PAID-IN CAPITAL (Cont'd)

The Company (Cont'd)

Notes:

(a) On 7 February 2011, one subscriber share was issued to the Company's subscriber, Yu Kuo, at par value;

(b) On 21 February 2011, the Company issued 473 shares to Yu Kuo in exchange for the 100% equity interests in Zhong Yuan Cement and on 2 April 2011, issued 474,526 shares to Yu Kuo at a consideration of USD87,433,333;

(c) On 2 April 2011, the Company issued 525,000 shares to other shareholders of Tianrui Cement for acquiring their respective interests in Tianrui Cement;

(d) On 12 December 2011, the Company increased the authorized share capital of the Company from HK$380,000 divided into 38,000,000 shares of HK$0.01 each by the creation of an additional 9,962,000,000 shares of HK$0.01 each;

(e) On 23 December 2011, the Company allotted and issued a total of 1,999,000,000 shares (the "Capitalisation Shares"), credited as fully paid by par, to holders of shares whose names appeared on the principal register of members of the Company in proportion to their then existing shareholders in the Company, by way of capitalisation of HK$19,990,000 standing to credited of the share premium accounted of the Company and applying such sum of HK$19,990,000 in paying up in full at par 1,999,000,000 shares for such allotment and issue. The new shares rank pari passu with the existing shares in all respects;

(f) On 23 December 2011, the Company issued 409,000,000 shares of HK$0.01 each for cash pursuant to the Initial Public Offerings at the price of HK$2.41 each. The new shares rank pari passu with the existing shares in all respects;

(g) Over-allotment options have been granted by the Company during the Initial Public Offerings. Pursuant to the this arrangement, the Company will sell up to 60,135,000 shares to the international underwriters from 23 December 2011, the listing date, until 18 January 2012 at the same price under the international placing during the Initial Public Offerings. No option has been exercised up to 18 January 2012.

The Group

For the purpose of the preparation of the consolidated statements of financial position, the balances of paid-in capital as at 31 December 2010 represented the paid-in capital of Tianrui Cement amount to RMB 1,397,135,000. Pursuant to the reorganization completed on 8 April 2011, the Company became the holding company comprising the Group. The issued capital as at 31 December 2011 represents the issued share capital of the Company.

38. PLEDGE OF ASSETS

As at the end of the reporting period, the carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group is analysed as follows:

	2011 RMB'000	2010 RMB'000
Property, plant and equipment	**2,202,502**	2,853,195
Prepaid lease payments	**263,117**	265,906
Mining rights	**63,695**	64,861
Trade and other receivables	**495,542**	70,928
Restricted bank balances	**101,750**	171,750
	3,126,606	3,426,640

During the year, apart from the assets pledged set out above, Tianrui Cement has pledged all of its equity interests in Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司), Lushan Xian Antai Cement Company Limited (魯山縣安泰水泥有限公司), Shangqiu Tianrui Cement Company Limited (商丘天瑞水泥有限公司), Zhengzhou Tianrui Cement Company Limited (鄭州天瑞水泥有限公司), Weihui Shi Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司), Yuzhou Shi Zhongjin Cement Company Limited (禹州市中錦水泥有限公司) and Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司), and part of its equity interests in Tianrui Group Zhoukou Cement Company Limited (天瑞集團周口水泥有限公司), Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司), Yingkou Tianrui Cement Company Limited (營口天瑞水泥有限公司), Liaoyang Tianrui Cement Company Limited (遼陽天瑞水泥有限公司), Tianrui Group Nanzhao Cement Company Limited (天瑞集團汝州水泥有限公司) for the syndicated loans.

39. CAPITAL COMMITMENTS

	2011 RMB'000	2010 RMB'000
Capital expenditure of the Group in respect of acquisition of property, plant and equipment		
– contracted for but not provided in the consolidated financial statements	**550,799**	791,575
– authorized but not contracted for	**928,609**	1,547,821

40. OPERATING LEASE COMMITMENTS

The Group as lessee

The rental payment paid for the year ended 31 December 2011 amounted to approximately RMB1,800,000 (2010: RMB488,000) respectively are paid for certain of its office properties.

As at 31 December 2011, the Group had commitments for future minimum lease payments in respect of rented premises which fall due as follows:

	2011 **RMB'000**	2010 RMB'000
Within one year	**1,800**	—

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average terms of one year and rental are fixed throughout the lease term.

The Group as lessor

The rental income earned for the year ended 31 December 2011 amounted to approximately RMB2,486,000 (2010: RMB2,404,000) respectively are generated from rental of certain plant and machinery.

As at 31 December 2011, the Group had contracted with tenants for the following future minimum lease payments:

	2011 **RMB'000**	2010 RMB'000
Within one year	**348**	2,838
In the second to fifth year inclusive	**—**	623
	348	3,461

41. RETIREMENT BENEFIT SCHEMES

The PRC employees of the Group are members of state-managed retirement benefit schemes operated by the local governments. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit schemes to fund the benefits. The retirement benefit cost charged to profit or loss for the year ended 31 December 2011, amounts RMB17,504,000 (2010: RMB10,108,000).

42. RELATED PARTY DISCLOSURES

(a) Apart from the amounts due from/to related parties as disclosed in Notes 24 and 29, during the year, the Group had the following significant transactions with the related parties.

Nature of transaction	Name of related company	Notes	2011 RMB'000	2010 RMB'000
Purchase of goods	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	17,949	21,587
Office rental expenses	Tianrui Group Company Limited (天瑞集團有限公司)		1,800	600
Sales of goods	Tianrui Group Yunyang Foundry Company Limited (天瑞集團雲陽鑄造有限公司)	ii	4,004	449
	Ruzhou Tianrui Coking Company Limited (汝州市天瑞煤焦化有限公司)	ii	2,514	—
	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	18,926	4,034
			25,444	4,483
Financial guarantee provided by the Group to	Tianrui Group Company Limited (天瑞集團有限公司)		—	60,000
	Sanmenxia Tianyuan Aluminum Company Limited (三門峽天元鋁業股份有限公司)	ii	—	51,000
	Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司)	ii	—	70,000
			—	181,000

Notes:

i. An associate of the Group;

ii. Subsidiaries of Tianrui Group Company Limited (天瑞集團有限公司).

42. RELATED PARTY DISCLOSURES (Cont'd)

(b) Remuneration to key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly including directors and supervisors of the Group. The key management personnel compensations are as follows:

	2011 RMB'000	2010 RMB'000
Short-term benefits	4,269	4,297
Retirement benefits	93	91
	4,362	4,388

43. CAPITAL RISK MANAGEMENT

The management manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of debt, which includes the short term debenture, borrowings and mid-term debenture (details refer to Note 30, 31 and 32), and equity attributable to owners of the Company, comprising issued capital/paid-in capital and reserves and retained earnings.

The management reviews the capital structure on a yearly basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

44. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2011 RMB'000	2010 RMB'000
Financial assets		
Loans and receivables (including restricted bank balances and cash and bank balances)	**3,690,702**	2,526,970
Available-for-sale investments	**4,000**	4,000
Investments held for trading	**250,000**	—
Financial liabilities		
Amortised cost	**11,094,469**	9,746,566

Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, amounts due from related parties, investments held for trading, restricted bank balances, cash and bank balances, available-for-sale investments, trade and other payables, amounts due to related parties, short term debenture, mid-term debenture and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

44. FINANCIAL INSTRUMENTS (Cont'd)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings and payables for mining rights (see Note 31 and 33 for details). Besides, the Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings and syndicated loans, restricted bank balances and bank balances (see Notes 26, 27 and 31 for details).

The Group closely monitors the interest rate trend and aims to minimise the finance costs. The Group's fair value interest rate risk mainly arose from bank borrowings carried at fixed interest rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Benchmark Interest Rate announced by People's Bank of China and LIBOR.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For restricted bank balances, bank balances, variable-rate borrowings and syndicated loans, the analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis points increase or decrease in LIBOR and Benchmark Interest Rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's profit for the year would be decreased/increased by approximately RMB3,372,000 (2010: RMB3,302,000) and the amount of borrowing costs capitalized in respect of the Group's qualifying assets would be increased/decreased by approximately RMB1,059,000 for the year ended 31 December 2011 (2010: RMB2,767,000).

Currency risk

The Group undertakes certain restricted bank balances and trade and other receivables denominated in Hong Kong Dollar ("HK Dollar") and loans denominated in United States Dollar ("US Dollar"), hence exposures to exchange rate fluctuation arises. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, management monitors the HK Dollar and US Dollar exposure closely and will consider hedging significant currency exposure should the need arise.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the end of the year are as follows:

	2011 RMB'000	2010 RMB'000
Assets		
HK Dollar	712,688	—
Liabilities		
US Dollar	183,041	247,358

44. FINANCIAL INSTRUMENTS (Cont'd)

Currency risk (Cont'd)

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB against HK Dollar and US Dollar.

The following table details the Group's sensitivity to a 5% increase or decrease in RMB against HK Dollar and US Dollar as at 31 December 2011. The percentage is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes restricted bank balances and other receivables denominated in HK Dollar and outstanding bank borrowings denominated in US Dollar, and adjusts its translation at the end of the reporting period for 5% change in foreign currency rate. A positive number below indicates an increase in post-tax profit where RMB strengthen 5% against HK Dollar and US Dollar. For a 5% weakening of RMB against HK Dollar and US Dollar, there would be an equal and opposite impact on the profit and the balances below would be negative.

	2011 **RMB'000**	2010 RMB'000
Profit (loss) for the year	**(19,862)**	9,276

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the group is arising from the carrying amounts of the respective recognized financial assets as stated in the consolidated statements of financial positions.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts from credit customers and related parties. In addition, the Group reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Besides, trade receivables consist of a large number of customers spread across diverse geographical areas in the PRC.

44. FINANCIAL INSTRUMENTS (Cont'd)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants and follow up actions were taken promptly as appropriate. As at 31 December 2011, two banking facilities of RMB2,570,000,000 in aggregate are available, which comprised of: (a) a banking facility of RMB1,180,000,000 from the Bank of China which is available until 31 December 2012; and (b) a banking facility of RMB1,390,000,000 from the Agricultural Bank of China which is available until 22 June 2013. None of the banking facilities of RMB2,570,000,000 has been utilized date of this report.

The Group has net current liabilities as at 31 December 2011, which exposed the Group to liquidity risk. In order to mitigate the liquidity risk, the management regularly monitors the operating cash flows of the Group to meet its liquidity requirement in the short and long term.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowing of RMB50,000,000 as at 31 December 2010 and 2011 with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. In addition, IFC loan and syndicated loans amounted to RMB886,772,000 as at 31 December 2011 (31 December 2010: RMB1,229,196,000) are included in the "on demand" category due to breach of loan covenants.

44. FINANCIAL INSTRUMENTS (Cont'd)

Liquidity risk (Cont'd)

The tables include both interest and principal cash flows. To the extent that interest flows are variable-rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average interest rate %	On demand or 0-30 days RMB'000	31 to 180 days RMB'000	181 to 365 days RMB'000	1-2 years RMB'000	2-3 years RMB'000	Over 3 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
As at 31 December 2011									
Trade and other payables		**1,120,710**	**2,314,943**	**462,478**	**—**	**—**	**—**	**3,898,131**	**3,898,131**
Amounts due to related parties		**—**	**639**	**—**	**—**	**—**	**—**	**639**	**639**
Financial guarantee liabilities		**50,000**	**—**	**—**	**—**	**—**	**—**	**50,000**	**—**
Borrowings									
– fixed-rate	8.7	**—**	**1,431,974**	**528,330**	**—**	**—**	**—**	**1,960,304**	**1,927,916**
– variable-rate	6.4	**976,772**	**896,148**	**1,187,633**	**764,004**	**551,391**	**246,973**	**4,622,921**	**4,428,946**
Other payables – fixed rate	7.3	**4,600**	**—**	**4,230**	**10,841**	**1,918**	**24,711**	**46,300**	**38,837**
Short term debenture	5.6	**—**	**506,938**	**—**	**—**	**—**	**—**	**506,938**	**500,000**
Mid-term debenture	8.4	**—**	**—**	**—**	**—**	**379,661**	**—**	**379,661**	**300,000**
		2,152,082	**5,150,642**	**2,182,671**	**774,845**	**932,970**	**271,684**	**11,464,894**	**11,094,469**
As at 31 December 2010									
Trade and other payables		964,878	1,902,129	525,625	—	—	—	3,392,632	3,392,632
Amounts due to related parties		10,325	—	—	—	—	—	10,325	10,325
Financial guarantee liabilities		231,000	—	—	—	—	—	231,000	—
Borrowings									
– fixed-rate	6.4	50,000	650,952	644,186	57,454	—	—	1,402,592	1,375,720
– variable-rate	5.8	1,316,680	402,200	759,950	553,099	706,838	960,418	4,699,185	4,422,653
Other payables – fixed rate	7.3	10,999	—	—	3,284	13,222	24,548	52,053	45,236
Short term debenture	4.1	—	—	518,792	—	—	—	518,792	500,000
		2,583,882	2,955,281	2,448,553	613,837	720,060	984,966	10,306,579	9,746,566

44. FINANCIAL INSTRUMENTS (Cont'd)

Liquidity risk (Cont'd)

As at 31 December 2010 and 2011, principal amount of RMB50,000,000 with a repayment on demand clause is included in the "on demand or 0-30 days" time band in the above maturity analysis. Taking into account the Group's financial position, the management does not believe that it is probable that the bank will exercise their discretionary rights to demand immediate repayment. For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the term loan based on the scheduled repayment dates set out in the agreements in the table below:

	Weighted average interest rate	0-30 days	31 to 180 days	181 to 365 days	1-2 years	2-3 years	Over 3 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2010									
Borrowings	6.56	—	—	—	10,656	11,354	37,882	59,892	50,000
As at 31 December 2011									
Borrowings	**6.56**	**—**	**—**	**10,000**	**10,656**	**11,354**	**24,197**	**56,207**	**50,000**

Fair value

The fair value of financial assets is determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of other financial assets is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

44. FINANCIAL INSTRUMENTS (Cont'd)

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

		2011		
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial asset at fair value through profit or loss				
Non-derivative financial assets held for trading	**—**	**250,000**	**—**	**250,000**
Available-for-sale financial asset				
Investment in listed open-ended fund	**4,000**	**—**	**—**	**4,000**
Total	**4,000**	**250,000**	**—**	**290,000**

		2010		
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale financial asset				
Investment in listed open-ended fund	4,000	—	—	4,000
Total	4,000	—	—	4,000

45. CONTINGENT LIABILITIES

	2011 RMB'000	2010 RMB'000
Guarantees given to banks in respect of banking facilities granted to:		
– Related parties (Note 42)	—	181,000
– Third party	50,000	50,000
	50,000	231,000

As at 31 December 2011 and 2010, the management considers the risk of the contingent liabilities are remote and no financial guarantee liabilities have been recognized.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The Company has the following subsidiaries:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group 2011 %	2010 %	Principal activities
Subsidiaries					
Zhong Yuan Cement Company Limited 中原水泥有限公司	British Virgin Islands 7 April 2010	US$1	100	100	Investment holding
China Tianrui (Hong Kong) Company Limited 中國天瑞（香港）有限公司	Hong Kong 16 April 2010	US$1	100	100	Investment holding
Tianrui Group Cement Company Limited 天瑞集團水泥有限公司	The PRC 28 September 2000	US$184,052,471	100	100	Manufacture and sale of cement and clinker
Lushan Xian Antai Cement Company Limited 魯山縣安泰水泥有限公司 *	The PRC 16 September 1998	RMB21,357,000	100	100	Manufacture and sale of cement
Tianrui Group Ruzhou Cement Company Limited 天瑞集團汝州水泥有限公司 *	The PRC 3 December 2002	RMB180,000,000	100	100	Manufacture and sale of cement and clinker
Weihui Shi Tianrui Cement Company Limited 衛輝市天瑞水泥有限公司 *	The PRC 30 June 2003	RMB240,000,000	100	100	Manufacture and sale of cement and clinker

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group 2011 %	2010 %	Principal activities
Tianrui Group Zhoukou Cement Company Limited 天瑞集團周口水泥有限公司 *	The PRC 10 September 2003	RMB81,000,000	100	100	Manufacture and sale of cement
Shangqiu Tianrui Cement Company Limited 商丘天瑞水泥有限公司 *	The PRC 9 June 2004	RMB63,000,000	100	100	Manufacture and sale of cement
Zhengzhou Tianrui Cement Company Limited 鄭州天瑞水泥有限公司 *	The PRC 17 June 2004	RMB55,000,000	100	100	Manufacture and sale of cement
Yuzhou Shi Zhongjin Cement Company Limited 禹州市中錦水泥有限公司 *	The PRC 4 August 2004	RMB250,000,000	100	100	Manufacture and sale of cement and clinker
Dalian Tianrui Cement Company Limited 大連天瑞水泥有限公司 *	The PRC 8 December 2004	RMB350,000,000	100	100	Manufacture and sale of cement and clinker
Yingkou Tianrui Cement Company Limited 營口天瑞水泥有限公司 *	The PRC 4 July 2006	RMB111,300,000	100	100	Manufacture and sale of cement
Tianrui Group Nanzhao Cement Company Limited 天瑞集團南召水泥有限公司 *	The PRC 23 January2007	RMB200,000,000	100	100	Manufacture and sale of cement and clinker
Yuzhou Shi Zhongjin Mining Company Limited 禹州市中錦礦業有限公司 *	The PRC 23 April 2007	RMB1,000,000	100	100	Inactive
Liaoyang Tianrui Cement Company Limited 遼陽天瑞水泥有限公司 *	The PRC 25 April 2007	RMB213,680,000	100	100	Manufacture and sale of cement and clinker
Tianrui Group Xuchang Cement Company Limited 天瑞集團許昌水泥有限公司 *	The PRC 16 August2007	RMB80,000,000	100	100	Manufacture and sale of cement
Tianrui Group Guangshan Cement Company Limited 天瑞集團光山水泥有限公司 *	The PRC 14 December 2007	RMB280,000,000	100	100	Manufacture and sale of cement and clinker

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group 2011 %	2010 %	Principal activities
Tianrui Group Zhengzhou Cement Company Limited 天瑞集團鄭州水泥有限公司 *	The PRC 23 April 2008	RMB520,000,000	**100**	100	Manufacture and sale of cement and clinker
Tianrui Group Xiaoxian Cement Company Limited 天瑞集團蕭縣水泥有限公司 *	The PRC 6 October 2008	RMB241,958,000	**100**	100	Manufacture and sale of cement and clinker
Tianrui Group Ningling Cement Company Limited 天瑞集團寧陵水泥有限公司 *	The PRC 9 July 2009	RMB20,000,000	**100**	100	Manufacture and sale of cement
Tianjin Tianrui Cement Company Limited 天津天瑞水泥有限公司 (Note i)*	The PRC 5 November 2009	RMB100,000,000	**60**	100	Manufacture and sale of cement

Note:

i. Tianjin Tianrui Cement Company Limited ("Tianjin Tianrui") was established with registered capital of RMB100,000,000 in 2009.

In 2009 and 2010, Tianrui Cement injected capital of RMB40,000,000 and RMB20,000,000 into Tianjin Tianrui separately, and no capital injection by other registered shareholders has been made. Hence, Tianjin Tianrui was wholly owned by Tianrui Cement in 2010.

In 2011, Tianjin Tianrui received the injected capital of RMB40,000,000 from other registered shareholders, and hence, its equity interest was diluted to 60%.

* The entities are subsidiaries of Tianrui Cement.

47. FINANCIAL INFORMATION OF THE COMPANY

Financial information of the Company at the end of the reporting period includes:

	At 31 December 2011 RMB'000
NON-CURRENT ASSET	
Investment in a subsidiary (note)	565,524
CURRENT ASSET	
Other receivables	53,373
Restricted bank balances	659,315
TOTAL CURRENT ASSETS	712,688
CURRENT LIABILITIES	
Other payables	18,232
Amount due to a subsidiary	19,900
NET CURRENT ASSETS	674,556
TOTAL ASSETS LESS CURRENT LIABILITIES, NET ASSETS	1,240,080
CAPITAL AND RESERVES	
Issued capital (note 37)	19,505
Share premium	1,251,325
Retained earnings	(30,750)
TOTAL EQUITY	1,240,080

Notes: The investment is unlisted equity investment.

48. SUBSEQUENT EVENTS

(a) On 16 January 2012, the Group issued the third tranche of short term debentures of RMB500,000,000 on 16 January 2012 through the lead underwriter, China Guangfa Bank Company Limited, with maturity of one year. The third tranche of short term debentures carries fixed interest at 8.48% per annum.

(b) On 18 January 2012, the Group repaid the Syndicated loan of RMB185,000,000 and IFC loan of USD7,500,000;

(c) On 21 Feburary 2012, the Group repaid the Syndicated loan of RMB518,730,386 and IFC loan of USD21,550,000. As at 21 Feburary 2012, the Group has repaid all the remaining IFC loan and Syndicated loan.

(d) On 8 Match 2012, the Group repaid the second tranche of short term debentures of RMB500,000,000.

FINANCIAL SUMMARY

Financial summary - in accordance with International Financial Reporting Standards.

CONSOLIDATED RESULTS

	For the year ended 31 December			
	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
			(Note)	(Note)
Revenue	**8,263,395**	6,129,438	4,415,224	3,360,339
Profit before tax	**1,686,553**	526,704	245,040	322,653
Income tax expense	**(413,365)**	(128,917)	(81,779)	(90,424)
Profit for the year	**1,273,188**	397,787	163,261	232,229
Attributable to:				
Owners of the Company	**1,274,538**	396,833	162,738	231,153
Non-controlling interests	**(1,350)**	954	523	1,076
	1,273,188	397,787	163,261	232,229

CONSOLIDATED STATEMENT OF FINANICAL POSITION

	As at 31 December			
	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
			(Note)	(Note)
Total assets	**17,237,845**	13,682,166	10,609,307	7,275,085
Total liabilities	**(11,683,235)**	(10,146,054)	(7,467,982)	(4,297,021)
Total equity	**5,554,610**	3,536,112	3,141,325	2,978,064
Attributable to:				
Owners of the Company	**5,515,960**	3,536,112	3,135,848	2,973,110
Non-controlling interest	**38,650**	—	5,477	4,954
	5,554,610	3,536,112	3,141,325	2,978,064

Note: Financial information are extracted from accountant's report dated 14 December 2011 included in the prospectus for the Initial Public Offering.