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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2012	2011
	RMB'000	*RMB'000*
Revenue	3,708,491	4,072,790
Gross profit	910,548	1,202,290
Gross profit margin	24.6%	29.5%
Profit	395,134	654,880
Profitability	10.7%	16.1%
EBITDA	1,117,849	1,331,542
Profit attributable to owners of the Company	401,536	654,880
Basic earnings per share (RMB)	0.17	0.33

	At 30 June 2012	At 31 December 2011
	RMB'000	*RMB'000*
Total assets	17,693,305	17,237,845
Total liabilities	11,743,561	11,683,235
Equity attributable to owners of the Company	5,917,496	5,515,960

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Tianrui Group Cement Company Limited (the "**Company**") announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**", "**our Group**", "**our**" or "**we**") for the six-month period ended 30 June 2012, together with the comparative figures for the six-month period ended 30 June 2011, as follows:

Condensed Consolidated Statement of Comprehensive Income

		Six months ended 30 June	
	Notes	**2012**	**2011**
		RMB'000	*RMB'000*
		(unaudited)	*(audited)*
Revenue	4, 5	3,708,491	4,072,790
Cost of sales		(2,797,943)	(2,870,500)
Gross profit		910,548	1,202,290
Other income		188,333	139,324
Selling and distribution expenses		(117,226)	(132,437)
Administrative expenses		(152,492)	(120,539)
Other expenses		(1,761)	(10,137)
Finance costs	6	(302,718)	(210,902)
Profit before tax		524,684	867,599
Income tax expense	7	(129,550)	(212,719)
Profit and total comprehensive income for the period	8	395,134	654,880
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		401,536	654,880
Non-controlling interests		(6,402)	—
		395,134	654,880
Earnings per share			
Basic (RMB)	10	0.17	0.33

Condensed Consolidated Statement of Financial Position

	Notes	**At 30 June 2012** *RMB'000* *(unaudited)*	**At 31 December 2011** *RMB'000* *(audited)*
NON-CURRENT ASSETS			
Property, plant and equipment	11	10,631,050	10,034,915
Deposits paid	12	140,540	230,563
Prepaid lease payments		581,911	602,491
Mining rights		223,411	222,533
Goodwill		12,275	12,275
Interest in an associate		—	—
Deferred tax assets	21	20,203	15,285
		11,609,390	11,118,062
CURRENT ASSETS			
Inventories		1,116,496	1,203,151
Trade and other receivables	13	3,194,818	2,454,932
Available-for-sale investments		—	4,000
Amounts due from a related party		1,650	572
Investments held for trading		—	250,000
Restricted bank balances	14	1,397,732	1,974,648
Cash and bank balances	15	373,219	232,480
		6,083,915	6,119,783
CURRENT LIABILITIES			
Trade and other payables	16	4,976,442	4,201,433
Amounts due to a related party		1,920	639
Income tax payable		37,138	110,629
Short term debenture	17	1,000,000	500,000
Borrowings - due within one year	18	3,609,873	4,946,852
Obligations under finance leases	19	42,443	—
		9,667,816	9,759,553
NET CURRENT LIABILITIES		3,583,901	3,639,770
TOTAL ASSETS LESS CURRENT LIABILITIES		8,025,489	7,478,292

	Notes	**At 30 June 2012** *RMB'000* *(unaudited)*	**At 31 December 2011** *RMB'000* *(audited)*
CAPITAL AND RESERVES			
Issued capital/paid-in capital		19,505	19,505
Reserves		3,191,882	3,191,882
Retained earnings		2,706,109	2,304,573
Equity attributable to owners of the Company		5,917,496	5,515,960
Non-controlling interests		32,248	38,650
TOTAL EQUITY		5,949,744	5,554,610
NON-CURRENT LIABILITIES			
Borrowings - due after one year	18	1,155,000	1,410,010
Mid-term debenture	20	500,000	300,000
Other payables		30,237	30,237
Deferred tax liabilities	21	24,749	24,222
Deferred income		146,930	149,804
Obligations under finance leases	19	207,557	—
Provision for environmental restoration		11,272	9,409
		2,075,745	1,923,682
		8,025,489	7,478,292

Notes to the Condensed Consolidated Financial Statements

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 activities of its subsidiaries are manufacture and sale of cement and clinker.

The condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard ("IAS") 34, Interim Financial Reporting.

2. BASIS OF PREPARATION OF CONDENSED CONSOLIATED FINANCIAL STATMENTS

As at 30 June 2012, the Group's current liabilities exceeded its current assets by RMB3,583,901,000. The Group's current liabilities mainly included trade and other payables, short term debenture 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 condensed 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 RMB2,645,000,000 in aggregate are available which are obtained before 30 June 2012, 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;

(c) a banking facility of RMB75,000,000 from China Minsheng Bank which is available until 20 September 2012;

Taking into account of the aforesaid presently available banking facilities, 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 condensed consolidated financial statements are prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendment to International Financial Reporting Standard (IFRSs).

Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 12	Deferred tax: Recovery of Underlying Assets

The application of above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

In addition, the Group has applied the following accounting policy during the current interim period as it has become applicable to the Group.

Sale and leaseback transactions

When a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount in accordance with IAS 36, Impairment of Assets.

Finance lease — The Group as lessee

An asset held under a sales and leaseback transaction which gives rise to a finance lease is recognized as an asset of the Group at its previous carrying amount. The liability to the lessor is included in the condensed consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's policy on borrowing costs.

4. 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 period is as below:

	Six months ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Sales of cement	3,199,716	3,243,625
Sales of clinker	508,775	829,165
	3,708,491	4,072,790

5. 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 Six months ended 30 June		Segment profit Six months ended 30 June	
	2012	**2011**	**2012**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(audited)*	*(unaudited)*	*(audited)*
Central China	2,683,572	3,190,958	425,383	682,603
Northeastern China	1,024,919	881,832	116,063	195,145
Total	3,708,491	4,072,790	541,446	877,748
Unallocated corporate administrative expenses			(16,762)	(10,149)
Profit before taxation			524,684	867,599

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit before taxation without allocation of unallocated corporate administrative expenses including directors' emoluments.

6. FINANCE COSTS

	Six months ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Interest on:		
Bank borrowings wholly repayable within five years	214,523	155,581
Bank borrowings not wholly repayable within five years	—	8,113
Finance lease	8,855	—
Other payables	836	827
Bills discounted with recourse	60,149	35,287
Short term debenture	24,507	18,917
Mid-term debenture	11,921	—
Imputed interest on other payables	464	451
	321,255	219,176
Less: amounts capitalised	(18,537)	(8,274)
	302,718	210,902

The borrowing costs on general borrowing pool capitalized are calculated by applying capitalization rate of 6.94% per annum for the period ended 30 June 2012 (2011: 6.15% per annum).

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
PRC Enterprise Income Tax ("EIT")		
- current year	133,519	214,249
- under-provision in prior years	422	1,520
	133,941	215,769
Deferred tax (Note 21)	(4,391)	(3,050)
	129,550	212,719

No provision for Hong Kong taxation has been made during the current interim period 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 tax concession expired in the current interim period.

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Depreciation of property, plant and equipment	277,635	242,448
Amortization of prepaid lease payments	6,322	5,271
Amortization of mining rights, included in cost of sales	6,490	5,322
Total depreciation and amortization	290,447	253,041
Cost of inventories recognized as an expense	2,797,943	2,870,500
Staff costs including retirement benefit	122,339	103,376
Allowances (reversal) for bad and doubtful debts, included in other expenses	(12,985)	6,793
Impairment of property, plant and equipment	—	2,561
Gain on disposal of property, plant and equipment	(625)	(440)
Value Added Tax refund	(99,626)	(77,042)
Incentive subsidies	(30,569)	(10,746)
Gain on sales of scrap	(12,833)	(25,583)
Interest income	(11,154)	(12,638)

9. DIVIDENDS

No dividends were paid, declared or proposed during the current and prior interim period. The directors have determined that no dividend will be paid in respect of the current interim period.

10. 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:

	Six months ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Earnings		
Profit for the period attributable to owners of the Company (in thousands)	401,536	654,880
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share (in thousands)	2,400,900	2,000,000

The weighted average number of shares for the purpose of calculating basic earings per share for the six months ended 30 June 2011 had been adjusted retrospectively assuming that the reorgnization and the capitalization issue were completed at the beginning of the period.

No diluted earnings per share is presented as the Company did not have any potential ordinary shares outstanding.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB3,349,000 (six-months ended 30 June 2011: RMB645,000), for cash proceeds of RMB3,974,000 (six-months ended 30 June 2011: RMB1,085,000), resulting in a gain on disposal of RMB625,000 (six-months ended 30 June 2011: RMB440,000).

In addition, during the current interim period, the Group paid approximately RMB494,409,000 (six-months ended 30 June 2011: RMB46,553,000) mainly for acquisition and construction of clinker production lines in order to expand the manufacturing capacity of the Group.

The carrying amounts of buildings, which the application to obtain the ownership certificates is still in process, are approximately RMB20,394,000 as at 30 June 2012 (31 December 2011: RMB21,038,000).

12. DEPOSITS PAID

As at 30 June 2012 and 31 December 2011, amounts represented deposits paid for acquiring property, plant and equipment and land use rights.

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2012 *RMB'000* *(unaudited)*	At 31 December 2011 *RMB'000* *(audited)*
Trade receivables	323,282	236,859
Less: allowances for bad and doubtful debts	(20,316)	(33,301)
	302,966	203,558
Bills receivables	1,184,821	1,159,789
Advance to suppliers	1,417,157	866,217
Value Added Tax refund receivables	76,666	18,849
Prepayment for various tax	74,555	74,063
Prepaid lease payments	12,852	12,801
Other receivables	125,801	119,655
	3,194,818	2,454,932

Bills receivables amounted to RMB175,463,000 as at 30 June 2012 (31 December 2011: RMB430,649,000) were discounted to banks to obtain borrowings.

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.

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:

	At 30 June 2012 *RMB'000* *(unaudited)*	At 31 December 2011 *RMB'000* *(audited)*
Within 90 days	748,562	625,983
91-180 days	711,229	687,188
181-360 days	26,802	19,915
Over 1 year	1,194	30,261
Total	1,487,787	1,363,347

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.

14. RESTRICTED BANK BALANCES

Restricted bank balances represent deposits pledged to banks as at 30 June 2012 for (i) securing bank borrowings granted to the Group amounting to RMB30,000,000, and (ii) issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB1,367,732,000.

Restricted bank balances represent deposits pledged to banks as at 31 December 2011 for (i) securing bank borrowings granted to the Group amounting to RMB101,750,000, and (ii) issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB1,213,583,000, and (iii) restricted bank balances were used to repay part of the IFC loan and the Syndicated loan amounting to RMB659,315,000.

The restricted bank balances carry market interest rate of 3.3% to 3.5% per annum as at 30 June 2012 (31 December 2011: 0.36% to 3.50% per annum).

15. CASH AND BANK BALANCES

The amounts represent cash and bank balances held by the Group. As at 30 June 2012, bank balances carry interest at market rates of 0.44% and 0.5% per annum (31 December 2011: 0.36% and 0.5% per annum).

16. TRADE AND OTHER PAYABLES

	At 30 June 2012 *RMB'000* *(unaudited)*	**At 31 December 2011** *RMB'000* *(audited)*
Trade payables	2,430,891	2,319,152
Bills payables	1,613,142	1,014,943
Construction cost and retention payable	282,616	360,842
Advances from customers	378,622	228,716
Other tax payables	94,970	65,986
Other payables - current	8,600	8,600
Payables for mining rights	12,361	15,538
Other payables and accrued expenses	155,240	187,656
	4,976,442	4,201,433

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:

	At 30 June 2012 *RMB'000* *(unaudited)*	At 31 December 2011 *RMB'000* *(audited)*
Within 1-90 days	2,978,204	3,094,337
91-180 days	864,725	198,251
181-365 days	162,130	15,964
Over 1 year	38,974	25,543
Total	4,044,033	3,334,095

17. SHORT TERM DEBENTURE

	At 30 June 2012 *RMB'000* *(unaudited)*	At 31 December 2011 *RMB'000* *(audited)*
Short term debenture	1,000,000	500,000

The amounts as at 31 December 2012 represented the second tranche of short term debentures issued on 8 March 2011 and repaid during the current interim period.

The amounts as at 30 June 2012 represented the short term debentures of RMB1,000,000,000 which included the third tranche of short term debentures of RMB500,000,000 issued on 16 January 2012 and the fourth tranche of short term debentures of RMB500,000,000 issued on 27 April 2012 through the lead underwriter, China Guangfa Bank Company Limited, with maturity of one year respectively. These two tranches of short term debentures carry interest of fixed rates of 8.48% and 5.15%, respectively.

18. BORROWINGS

	At 30 June 2012 *(unaudited)*	At 31 December 2011 *(audited)*
Bank borrowings		
- fixed-rate	2,376,000	1,497,267
- variable-rate	2,213,410	3,542,175
IFC loan at variable-rate	—	183,041
Syndicated loans at variable-rate	—	703,730
	4,589,410	5,926,213
Bank borrowing relating to bills discounted with resources	175,463	430,649
	4,764,873	6,356,862
Secured	4,539,873	6,131,862
Unsecured	225,000	225,000
	4,764,873	6,356,862

The borrowings are repayable as follows:

	At 30 June 2012 *(unaudited)*	At 31 December 2011 *(audited)*
On demand or within one year	3,609,873	4,946,852
More than one year, but not exceeding two years	690,000	718,010
More than two years, but not exceeding five years	465,000	692,000
	4,764,873	6,356,862
Less: Amount due within one year shown under current liabilities	(3,609,873)	(4,946,852)
Amount due after one year	1,155,000	1,410,010

During the current interim period, the Group obtained new bank loans amounting to RMB737,731,000 (30 June 2011: RMB990,329,000). The loans carry interest at variable market rates of 6.1% to 11.16% (30 June 2011: 5.31% to 10.41%).

19. OBLIGATIONS UNDER FINANCE LEASES

	At 30 June 2012	At 31 December 2011
	RMB'000	*RMB'000*
Analyzed for reporting purposes as:		
Current liabilities	42,443	—
Non-current liabilities	207,557	—
	250,000	—

The Group has entered into a sale and leaseback transaction which gives rise to a finance lease. The lease assets, including plant and equipment, were continued to be recognized as property, plant and equipment of the Group. The average lease term is 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 6.98% to 7.25% (31 December 2011: Nil).

	Minimum lease payments		Present value of minimum lease payments	
	30/6/2012	31/12/2011	30/6/2012	31/12/2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts payable under finance leases				
Within one year	60,801	—	42,443	—
In more than one year but not more than two years	60,801	—	46,401	—
In more than two years but not more than five years	182,404	—	161,156	—
	304,006	—	250,000	—
Less: future finance charges	(54,006)	—	—	—
Present value of lease obligations	250,000	—		
Less: Amount due for settlement with 12 months (shown under current liabilities)			(42,443)	—
Amount due for settlement after 12 months			207,557	—

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

20. MID-TERM DEBENTURE

	At 30 June 2012	At 31 December 2011
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Mid-term debenture	500,000	300,000

The amounts as at 30 June 2012 represented the issuance of mid-term debentures of RMB300,000,000 on 6 December 2011 and RMB200,000,000 on 9 May 2012, with maturity of three years, carrying fixed interest rate at 8.4% and 5.8% per annum respectively.

21. DEFERRED TAXATION

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

	Allowance on inventories and trade and other receivables	Depreciation on property, plant, equipment and prepaid lease payments	Imputed interest on other payables	Tax losses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(note)	
At 1 January 2011	7,524	(27,450)	(941)	—	5,772	(15,095)
Credit to profit or loss for the year	1,804	354	113	—	779	3,050
At 30 June 2011	9,328	(27,096)	(828)	—	6,551	(12,045)
At 1 January 2012	10,316	(26,095)	(716)	—	7,558	(8,937)
Credit to profit or loss for the period	(5,303)	386	116	5,301	3,891	4,391
At 30 June 2012	5,013	(25,709)	(600)	5,301	11,449	(4,546)

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

For the purpose of presentation in the condensed 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:

	At 30 June 2012 *RMB'000* *(unaudited)*	**At 31 December 2011** *RMB'000* *(audited)*
Deferred tax assets	20,203	15,285
Deferred tax liabilities	(24,749)	(24,222)
	(4,546)	(8,937)

At 30 June 2012, the Group has unused tax losses of approximately RMB35,914,000 (31 December 2011: RMB13,969,000) available for offset against future profits. A deferred tax asset has been recognized in respect of RMB21,205,000 (31 December 2011: RMB nil) of such losses. No deferred tax asset has not been recognized in respect of the remaining RMB14,709,000 (31 December 2011: RMB13,969,000) due to unpredictability of future profit streams in respective subsidiaries.

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 condensed consolidated financial statements in respect of temporary differences attributable to accumulated profit of the PRC subsidiaries amounting to RMB3,175,129,000 as at 30 June 2012 (31 December 2011: RMB2,742,238,000) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2012, the growth of global economy has slowed down, and the PRC economy shows a shrinking trend accordingly. According to National Bureau of Statistics, for the first half of 2012, the PRC recorded a three-year low growth in GDP, which is 7.8%, representing a decrease of 1.8 % as compared to 9.6% for the same period in 2011. The structural adjustment of the national economy has entered the substantive stage. The cement industry is going through dual adjustments in market structure and product structure. The cement industry is gradually shifting from urban real estate market to the rural urbanization and infrastructure-oriented market. Although the overall results of the cement industry dropped more than 50% as compared to the same period last year, our Group leveraged on both adjustments and maintained our decrease far above the average industry level. However, in order to ensuring a stable development, we have issued a profit warning announcement according to applicable codes for listed companies.

In the first half of 2012, as the national cement industry is in severe situation, the Group resolutely implemented overall direction of "internally reduce costs and externally expand market so as to raise efficiency, enhance capital operation and improve competitiveness and sustainability". In the first half of 2012, our cement sales volume was 11.8 million tones, basically the same as compared to the same period last year. Meanwhile, we have increased the sale volume of cement and reduced the sale of clinker (an intermediate product) so as to improve our profitability. In the first half of 2012, the Group recorded revenue of RMB3,708.5 million, representing a decrease of RMB364.3 million or 8.9% as compared to RMB4,072.8 million for the same period last year. Profit attributable to owners of the Group was RMB401.5 million, representing a decrease of RMB253.4 million or 38.7% as compared to RMB654.9 million for the same period last year, which is below industry average decrease rate.

REVENUE

Our revenue was approximately RMB3,708.5 million for the six months ended 30 June 2012, representing a decrease of RMB364.3 million, or 8.9%, from approximately RMB4,072.8 million for the six months ended 30 June 2011.

Our revenue from sales of cement was approximately RMB3,199.7 million for the six months ended 30 June 2012, representing a decrease of RMB43.9 million, or 1.4%, from approximately RMB3,243.6 million for the six months ended 30 June 2011. This decrease was primarily attributable to the decrease in the average selling price of our cement products by RMB4.9 per tonne, or 1.8%, from RMB275.2 per tonne for 2011 to RMB270.3 per tonne for 2012 and a cement sales volume of 11.8 million tonnes, which maintains stable as compared to the same period 2011. The decrease in the average cement selling price was primarily because the macroeconomic policies continued to tighten in the PRC as well as the economic growth rate of the PRC slowed down as compared with the same period of 2011.Our cement sales volume maintains a stable level was primarily due to the general increase in the market demand for our cement products, particularly the increase in demand from certain large-scale infrastructure projects such as the South-North Water Transfer Project (南水北調工程), such that our cement sales volume was not affected by the austerity policies.

Our revenue from sales of clinker was approximately RMB508.8 million for the six months ended 30 June 2012, representing a decrease of RMB320.4 million, or 38.6%, from approximately RMB829.2 million for the six months ended 30 June 2011. This decrease was primarily attributable to (i) a decrease in the average clinker selling price by RMB17.1 per tonne, or 6.4%, from RMB267.0 per tonne for 2011 to RMB249.9 per tonne for 2012, as the market demand deceased due to the slowdown of PRC economy; and (ii) a decrease in our clinker sales volume by 1.0 million tonnes, or 32.3%, from 3.1 million tonnes for the six months ended 30 June 2011 to 2.1 million tones for the six months ended 30 June 2012, which was mainly due to the decrease of the external sales volume of clinker.

Our revenue from sales of cement as a percentage of revenue was approximately 86.3% for the six months ended 30 June 2012 and 79.6% for the six months ended 30 June 2011, respectively. Our revenue from sales of clinker as a percentage of revenue was approximately 13.7% for the six months ended 30 June 2012 and 20.4% for the six months ended 30 June 2011, respectively.

COST OF SALES

Our cost of sales was approximately RMB2,797.9 million for the six months ended 30 June 2012, representing a decrease of RMB72.6 million, or 2.5%, from approximately RMB2,870.5 million for the six months ended 30 June 2011. The decrease was mainly due to the decrease in our clinker sales volume coupled with the increase of coal and electricity cost. Our clinker sales volume decreased by 1.0 million tonnes, or 32.3%, from 3.1 million tonnes for the six months ended 30 June 2011 to 2.1 million tones for the same period 2012. The coal cost increased to RMB758.1 per tonne for the six months ended 30 June 2012 from RMB749.5 per tonne for the same period 2011. The electricity cost increased to RMB0.58 per kWh for the six months ended 30 June 2012 from RMB0.54 per kWh for the same period 2011.Our cost of sales as a percentage of revenue increased to approximately 75.4% for the six months ended 30 June 2012 from 70.5% for the six months ended 30 June 2011 primarily due to the decrease of revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit was approximately RMB910.5 million for the six months ended 30 June 2012, representing a decrease of RMB291.8 million, or 24.3%, from approximately RMB1,202.3 million for the same period 2011. Our gross profit margin decreased to approximately 24.6% in the first half of 2012 from 29.5% in the same period 2011. The decrease in both gross profit and gross profit margin were primarily due to the significant decreases in the average selling prices of our cement and clinker products coupled with the increase of the cost.

OTHER INCOME

Other income was approximately RMB188.3 million for the six months ended 30 June 2012, representing an increase of RMB49.0 million, or 35.2%, from approximately RMB139.3 million for the six months ended 30 June 2011. The increase was primarily due to (i) the increase in value-added tax refunds from the PRC government because more revenue from low-grade cement met the conditions to qualify for such refunds since such cement was used in low-grade cement products with industrial waste materials constituting not less than 30% of raw materials, (ii) the increase in gain on sale of scrap materials of our subsidiaries as these subsidiaries increased sales of these materials to external third parties, and (iii) the fact that a number of long overdue trade payables were recognized as other income in this period.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses were approximately RMB117.2 million for the six months ended 30 June 2012, representing a decrease of RMB15.2 million, or 11.5%, from approximately RMB132.4 million for the six months ended 30 June 2011. The decrease was primarily due to a significant decrease of transportation and shipping expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses were approximately RMB152.5 million for the six months ended 30 June 2012, representing an increase of RMB32.0 million, or 26.6%, from RMB120.5 million for the six months ended 30 June 2011. The increase was mainly due to the growth of our business as we hired more administrative personnel and more staffs with higher educational background in this period.

OTHER EXPENSES

Other expenses were approximately RMB1.8 million for the six months ended 30 June 2012, representing a decrease of RMB8.3 million, from RMB10.1 million for the six months ended 30 June 2011.The decrease was primarily due to the recovery of certain trade receivables which we had provided for as bad debts in prior periods.

FINANCE COSTS

Finance costs were approximately RMB302.7 million for the six months ended 30 June 2012, representing an increase of RMB91.8 million, or 43.5%, from RMB210.9 million for the six months ended 30 June 2011. 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 due to fewer projects which we had under construction in the six months ended 30 June 2012, as a result of which we were not able to capitalize finance costs to the same extent as in prior years.

PROFIT BEFORE TAXATION

As a result of the foregoing, our profit before taxation was approximately RMB524.7 million for the six months ended 30 June 2012, representing a decrease of RMB342.9 million, or 39.5% approximately, from approximately RMB867.6 million for the six months ended 30 June 2011.

INCOME TAX EXPENSES

Our income tax expenses were approximately RMB129.6 million for the six months ended 30 June 2012, representing a decrease of RMB83.1 million, or 39.1% approximately, from approximately RMB212.7 million for the six months ended 30 June 2011, which was mainly due to the decrease in Profit before taxation.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

As a result of the foregoing, our profit attributable to owners of the Company for the six months ended 30 June 2012 was approximately RMB401.5 million, representing a decrease of RMB253.4 million, or approximately 38.7%, from approximately RMB654.9 million for the six months ended 30 June 2011. The net profit margin decreased from 16.1% in the six months ended 30 June 2011 to 10.7% in the six months ended 30 June 2012, primarily attributable to the decrease of revenue and the increase of our cost of sales and other operational expenses as a percentage of our revenue.

FINANCIAL AND LIQUIDITY POSITION

Trade and other receivables

Trade and other receivables increased from RMB2,454.9 million as of 31 December 2011 to RMB3,194.8 million as of 30 June 2012, mainly due to the increase in prepayment for the purchase of coals and the increase of deposits for transportations.

Inventories

Inventories decreased from RMB1,203.2 million as of 31 December 2011 to RMB1,116.5 million as of 30 June 2012, primarily due to the decrease of the unit cost of raw materials, clinker and cements between May and June 2012.

Cash and cash equivalents

Cash and bank balance increased from RMB232.5 million as of 31 December 2011 to RMB373.2 million as of 30 June 2012, primarily due to accumulated cash inflows that generated from operation in this period.

LONG-TERM AND SHORT-TERM BORROWINGS AND OTHER BORROWINGS

Borrowings due within one year and Short-term bonds

Borrowings due within one year and Short-term bonds decreased from RMB5,446.9 million as of 31 December 2011 to RMB4,609.9 million as of 30 June 2012, primarily due to the fact that the Company fully repaid the IFC loan and syndicated loan in February 2012. Borrowings at fixed interest rates were RMB3,376.0 million.

Borrowings due after one year and Mid-term bonds

Borrowings due after one year and Mid-term bonds increased from RMB1,710.0 million as of 31 December 2011 to RMB1,655.0 million as of 30 June 2012, primarily due to the fact that we have issued a new batch of medium-term bonds. Borrowings at fixed interest rates were RMB500.0 million.

Our total borrowings and bonds decreased from RMB7,156.9 million as of 31 December 2011 to RMB6,264.9 million as of 30 June 2012, primarily due to the repayment of debt with cash generated from operation by the Company.

As of 30 June 2012, we had unutilized bank facilities of approximately RMB2,645.0 million. 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. We expect our cash flow will be sufficient to fund our ongoing business requirements. Meanwhile, we have decided to further broaden our financing channel to improve our capital structure.

GEARING AND OTHER RATIOS

As of 30 June 2012, Our gearing ratio was 66.4%, representing a decrease of 1.4% from 67.8% as of 31 December 2011. Our current ratio was 0.6, remained stable as compared to 0.6 as of 31 December 2011. Our quick ratio was 0.5, remained unchanged as compared to 0.5 as of 31 December 2011. Our debt equity ratio was 1.97, representing a decrease of 0.13 from 2.10 as of 31 December 2011.

Notes

1. Gearing ratio = total liabilities/total assets × 100%
2. Current ratio = current assets/current liabilities
3. Quick ratio = (current assets - inventory)/current liabilities
4. Debt equity ratio = Total liabilities/shareholders' equity × 100%
5. Shareholders' equity combined with the number of shareholders' equity

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure for the six months ended 30 June 2012 amounted to approximately RMB501.8 million (same period 2011: RMB139.6 million) and capital commitments contracted for but not recognized in the condensed consolidated financial statements as at 30 June 2012 amounted to approximately RMB448.5 million (31 December 2011: RMB550.8 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 30 June 2012, other than contingent liabilities of RMB50 million for the Group's provision of guarantees to third parties as disclosed in our 2011 Annual Report, the Group does not have new or other contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2012, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB1,978.3 million (2011: RMB3,126.6 million).

CONNECTED TRANSACTIONS

During the six months ended 30 June 2012, 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 the Listing Rules.

The non-exempt continuing connected transactions disclosed in the Company's prospectus dated 14 December 2011, for which the Stock Exchange has granted a waiver from strict compliance with the announcement requirement under rule 14A.47 of the Listing Rules, have not exceeded the cap disclosed in the prospectus.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

(a) **Major Acquisitions and Disposals**

On 10 July 2012, Tianrui Cement and Pingdingshan Yaomeng Power Group (平頂山姚孟電力集團有限公司) entered into an equity transfer agreement, pursuant to which Tianrui Cement will acquire and be entitled to the 91% equity interest of Pingdingshan Yaomeng Power Group (平頂山姚孟電力集團有限公司) in 2012.

As at the approval date of the condensed financial statements, the acquisition has not been completed

During the six months ended 30 June 2012 and up to the date of this announcement, save for the matters disclosed above, the Group had no disclosable major acquisitions and disposals of subsidiaries and associated companies.

(b) In July 2012, Zhejiang Zhongda Group International Trading Co., Ltd (浙江中大集團國際貿易有限公司) ("Zhejiang Zhongda") has filed a statement of claim (民事起訴狀) with the Hangzhou Intermediate People's Court in Zhejiang Province (浙江省杭州市中級人民法院) (the "Court") in relation to a civil action against (i) Sanmenxia Tianyuan Aluminum Company Limited (三門峽天元鋁業股份有限公司) ("Sanmenxia Tianyuan Aluminum"), a subsidiary of Tianrui Group Company Limited (天瑞集團有限公司) ("Tianrui Group"), (ii) Tianrui Group, a company jointly owned by Mr. Li Liufa and Mr. Li Xuanyu, a substantial shareholder of the Company, (iii) China Tianrui (Hong Kong) Company Limited (中國天瑞(香港)有限公司) ("Tianrui HK"), a wholly-owned subsidiary of the Company, (iv) Tianrui Cement, a wholly-owned subsidiary of the Company and (v) Mr. Li Liufa, the chairman, non-executive director and substantial shareholder of the Company (the "Civil Action").

The Civil Action relates to a distributorship agreement dated 15 July 2010 entered into between Zhejiang Zhongda and Sanmenxia Tianyuan Aluminum for the supply of aluminum ingot, and an irrevocable joint liability guarantee dated 20 July 2010 granted by Tianrui Group in favor of Zhejiang Zhongda to secure the performance of the aforesaid distributorship agreement. Pursuant to the statement of claim (民事起訴狀), Zhejiang Zhongda claimed (i) for a total of amount (including both overdue payment and liquidated damages) of approximately RMB129,140,000 against Sanmenxia Tianyuan Aluminum, (ii) that Tianrui Group shall assume joint liability guarantee in respect of the debts and obligations of Sanmenxia Tianyuan Aluminum, (iii) that Tianrui HK, Tianrui Cement and Mr. Li Liufa shall assume joint and several liabilities with Tianrui Group for its joint liability guarantee and (iv) for the legal costs of the Civil Action.

On 26 July 2012, the Court issued a civil ruling (民事裁定書) pursuant to which the Court has ordered to freeze a bank deposit of RMB129 million in the bank accounts of Sanmenxia Tianyuan Aluminum, Tianrui Group, Tianrui HK, Tianrui Cement and Mr. Li Liufa, or to seal up or detain property in the equivalent amount of the aforementioned parties. The Court further issued an asset preservation notice (財產保全事項通知書) on or around 1 August 2012, pursuant to which the Court has ordered to preserve and freeze a bank deposit of RMB129 million in the bank account of Tianrui Group. As at the date of the approval of these condensed consolidated financial statements, none of the bank deposits in the bank accounts of Tianrui HK or Tianrui Cement has been freezed; and none of the property of Tianrui HK or Tianrui Cement has been sealed up or detained.

As advised by the Company's PRC legal adviser, since Tianrui HK and Tianrui Cement are not parties to the distributorship agreement or the irrevocable joint liability guarantee, Tianrui HK or Tianrui Cement should not be held liable under the Civil Action. On this basis, the directors of the Company consider that the Civil Action does not affect the operation or financial position of the Group. In addition, the Company's PRC legal adviser also advised the directors of the Company that since the Chairman, non-executive director and substantial shareholder of the Company, Mr. Li Liufa, is not a party to the distributorship agreement or the irrevocable joint liability guarantee, he should not be held liable under the Civil Action in his personal capacity.

Based on the above, the directors of the Company considered that no provision is required to be made in respect of the Civil Action.

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2012, the Group neither held any material investment nor planned to make any material investment and acquire any capital assets.

MARKET RISKS

Exchange rate risks

For the six-month period ended 30 June 2012 and the foreseeable subsequent period, the Group believes that impact of exchange rate risk on the Group was and will be minimal, mainly because the major businesses of the Group are in mainland China and the Group involves little overseas business, save for minimal foreign exchange risk in payment of external intermediary costs.

Interest rate risk

We are exposed to interest rate risks resulting from our longterm 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 REMUNERATION POLICY

As of 30 June 2012, our Group had 6,316 employees. The employees' cost including remuneration is RMB122.3 million during the reporting period. The remuneration policies, bonus and training programs for employees of the Group were implemented continuously according to policies disclosed in the 2011 Annual Report and no change has been made during the period ended 30 June 2012.

PROSPECTS

In 2012, the PRC government confirmed the overall direction of "maintain growth, eliminate backward production capacity, implement proactive fiscal policy and prudent monetary policy and increase investment in major national projects" for the domestic economy development. According to the principles of controlling total output, raises the market access threshold for the cement industry and manage such access to the industry in a strict manner, the State strive to eliminate outdated cement enterprises, 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.

For the second half of 2012, domestic demand for cement is expected to increase, particularly the demand from urban infrastructure, South-North Water Transfer Project (南水北調), basic farmland water conservancy facilities and rural urbanization. The company has gone through difficulties in the first half of the year, but will seize opportunities in the second half. MIIT has increased efforts to phase out backward production capacity and support major enterprise groups to conduct merger and acquisition, for which cement industry is the key focus. As one of the 12 national key cement enterprises recognized by the PRC government and the only non-state-owned enterprise designated by the MIIT as one of the five leading cement companies that the PRC government supports for undertaking cement industry-specific mergers and consolidation in central China, the Group will encounter precious opportunities for development.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

For the period from 1 January 2012 to 31 March 2012, the Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "**Old Code**") contained in the then Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and has adopted the code provisions set out in the Corporate Governance Code (the "**New Code**", together with the Old Code, the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintaining a high standard of corporate governance practices since 1 April 2012. In respect of the six month period ended 30 June 2012, save as disclosed below, the Company complied with all the code provisions set out in the Corporate Governance Code.

Compliance with the Model Code by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to 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. Following specific enquiry with the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2012 and up to the date of this announcement.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Review of Financial Statements

The audit committee of the Board has discussed with the Company's management and reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 June 2012.

Interim Dividend

The Directors do not recommend any interim dividend for the six months ended 30 June 2012 (corresponding period in 2011: nil).

Publication of Interim Report on the Websites of the Stock Exchange and the Company

The Company's interim report for the six months ended 30 June 2012 will be published on the website of the Stock Exchange and the Company's website at http://www.trcement.com and will be dispatched to the Company's shareholders in due course.

APPRECIATION

On behalf of the Directors, I wish to express my sincere gratitude to our shareholders, customers and business partners for their continued support, and all our employees for their dedication and hard work.

By order of the Board
China Tianrui Group Cement Company Limited
Li Liufa
Chairman

Hong Kong, 17 August 2012

As at the date of this announcement, the Board consists of:

Chairman and Non-executive Director
Mr. Li Liufa

Executive Directors
Mr. Li Heping, Mr. Liu Wenying and Mr. Yu Yagang

Non-Executive Director
Mr. Tang Ming Chien

Independent Non-executive Directors
Mr. Wang Yanmou, Mr. Poon Chiu Kwok, Mr. Song Quanqi and Mr. Ma Chun Fung Horace.