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

2012
INTERIM REPORT

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

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
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15 Queen's Road Central
Hong Kong

As to PRC law
Commerce & Finance Law Offices
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A12 Jianguomenwai Avenue
Chaoyang District
Beijing 100022
PRC

CORPORATE INFORMATION

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

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Henan Province
PRC

PLACE OF BUSINESS IN HONG KONG

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COMPANY WEBSITE

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CAYMAN ISLANDS SHARE REGISTRAR AND SHARE TRANSFER AGENT

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HONG KONG SHARE REGISTRAR

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Hong Kong

INVESTORS AND MEDIA RELATIONS ADVISOR

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Wanchai
Hong Kong

FINANCIAL HIGHLIGHT

	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

BUSINESS REVIEW

In the first half of 2012, the growth of global economy has slowed down, which has negatively affected the PRC economy. According to National Bureau of Statistics, for the first half of 2012, the PRC recorded a GDP growth of 7.8%, which represented a decrease of 1.8% as compared to 9.6% for the same period in 2011 and is the lowest in the last three years. The PRC economy is also undergoing substantial structural adjustments. The cement industry is going through a dual adjustment in market structure and product structure. Growth drivers in the industry are gradually shifting from the urban real estate market to the rural urbanization and infrastructure-oriented market. Although the overall sales of the cement industry decreased by more than 50% as compared to the same period last year, our Group leveraged on both the market and product structural adjustments and substantially mitigated the impacts of the negative factors. 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, due to the adverse trends affecting our industry, we implemented a policy of cutting cost internally and expanding markets externally in order to enhance our efficiency and results of operations and improve our competitiveness and sustainability. In the first half of 2012, our cement sales volume was 11.8 million tones, which remained stable 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 the 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 remained 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 and also the growth of the PRC economy slowed down as compared with the same period of 2011.Our cement sales volume remained stable 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), which mitigated the effects of the tightening of the PRC economic 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 same period in 2012, which was mainly due to the decrease of the external sales volume of clinker in 2012.

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 as well as 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 last year. 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 as well as 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 staff cost 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, or 82.2%, 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 period. 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 increased 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 bank balances

Cash and bank balances 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 BONDS

Borrowings due within one year and short-term bonds

Borrowings due within one year 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 requirement. Meanwhile, we have decided to further broaden our financing channel to improve our capital structure.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING ANO OTHER RATIO

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 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
5. Shareholders' equity combined with the minority 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 RMB 50 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 of 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 (31 December 2011: RMB3,126.6 million). For details, please refer to Note 23 to the condensed consolidated financial information of this interim report.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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) (the "Yaomeng Group") entered into an equity transfer agreement, pursuant to which Tianrui Cement will acquire and be entitled to the 91% equity interest of Yaomeng Group in 2012.

As of 17 August 2012 on which the announcement of interim results for the six months ended 30 June 2012 (the "Interim Report Date"), the acquisition has not been completed.

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

(b) Litigation

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 Interim Report Date, 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' 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, increasing the entry barriers of new cement production companies and strengthening management of the industry access, 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.

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 14 December 2011 (the "Prospectus") under the section headed "Future Plans and Use of Proceeds". As at the Interim Report Date, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITES

As at 30 June 2012, 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	Nature of Interests	Short/Long Position	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 Company Limited	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 Holding 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

DISCLOSURE OF INTERESTS

Name of Shareholder	Nature of Interests	Short/Long Position	Total number of shares	Approximate percentage of shareholding (%)
KKR Management LLC	Interests in controlled corporation	Long position[3]	400,000,000	16.66
Mr. Henry R.Kravis and Mr. George R.Roberts	Interests in controlled corporation	Long position[3]	400,000,000	16.66
JPMorgan Private PCA Holdings (Mauritius) I Limited	Interests in controlled corporation	Long position[4]	200,600,000	8.36
JPMorgan Private Capital Asia Fund 1,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 at 30 June 2012. 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.

DIRECTORS' AND SENIOR MANAGEMENT' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, 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) Yu Kuo Company Limited ("Yu Kuo") is the legal and beneficial holder of these shares. 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 Company Limited ("Holy Eagle")(the wholly-owned company of Mr. Li Liufa).

(2) Wan Qi Company Limited("Wan Qi")is the legal and beneficial holder of these shares. 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 30 June 2012, 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.

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the six months ended 30 June 2012, 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 Li Liufa 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 .

For the six months ended 30 June 2012, the controlling shareholders of the Company, namely, Mr. Li Liufa, Mr. Li Xuanyu, Yu Kuo, Yu Qi Company Limited ("Yu Qi") and Holy Eagle (collectively, the "Controlling Shareholders") and their respective associates have complied 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.

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 any time during the first half of 2012.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 12 December 2011. 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.

During the six months ended 30 June 2012, no option has been granted under the Share Option Scheme.

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 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. In respect of the six month period ended 30 June 2012, 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.

INFORMATION ON DIRECTOR'S CHANGE

Under Rule 13.51B of the Listing Rules, change of Director's information is set out as follows:

Mr. LI Heping, an executive Director and Chief Executive Officer of the Company, resigned as a non-executive Director and Chairman of the Board of Tianyuan Aluminum (Stock Code: HK08253) with effect from 30 May 2012. The main reason for Mr. Li Heping's resignation is that he decides to devote more time to dealing with the Company's businesses, which is his duty as an executive Director of the Company.

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.

INTERIM DIVIDEND

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

REVIEW OF FINANCIAL STATEMENTS

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

INTRODUCTION

We have reviewed the condensed 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 17 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 August 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 RMB'000 (unaudited)	2011 RMB'000 (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

At 30 June 2012

	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	26a	**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	26b	**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
CAPITAL AND RESERVES			
Issued capital/paid-in capital	22	**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

	Notes	**At 30 June 2012 RMB'000 (unaudited)**	At 31 December 2011 RMB'000 (audited)
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

	Attributable to owners of the Company									
	Issued capital/ paid-in capital RMB'000 (Note 22)	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	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2011 (audited)	1,397,135	—	789,990	155,735	3,431	31,768	1,158,053	3,536,112	—	3,536,112
Profit for the period and total comprehensive income for the period	—	—	—	—	—	—	654,880	654,880	—	654,880
Issue of shares for reorganization	8	—	—	—	—	—	—	8	—	8
Reserve arising from reorganization (note v)	(1,397,135)	565,516	—	—	831,615	—	—	(4)	—	(4)
Capital injection by non-controlling shareholders to Tianjin Tianrui Cement Company Limited	—	—	—	—	—	—	—	—	40,000	40,000
At 30 June 2011 (audited)	8	565,516	789,990	155,735	835,046	31,768	1,812,933	4,190,996	40,000	4,230,996
At 1 January 2012 (audited)	19,505	1,251,325	789,990	283,753	835,046	31,768	2,304,573	5,515,960	38,650	5,554,610
Profit for the period and total comprehensive income for the period	—	—	—	—	—	—	401,536	401,536	(6,402)	395,134
At 30 June 2012 (unaudited)	19,505	1,251,325	789,990	283,753	835,046	31,768	2,706,109	5,917,496	32,248	5,949,744

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 completed on 8 April 2011.

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 ("Zhong Yuan Cement") and China Tianrui (Hong Kong) Company Limited ("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 reorganization on 8 April 2011.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(audited)
Net cash generated from operating activities	**976,121**	1,920,420
Investing activities		
Interest received	**11,154**	12,638
Addition of property, plant and equipment	**(494,409)**	(46,553)
Addition of prepaid lease payments	—	(77,821)
Proceeds from disposal of property, plant and equipment	**3,974**	1,085
Acquisition of mining rights	**(7,368)**	(15,250)
Proceeds from disposal of available-for-sale investment	**4,005**	—
Advances to a related party	—	(17,787)
Repayment from a related party	—	20,176
Deposits paid for property, plant and equipment and prepaid lease payments	**(5,289)**	(337,326)
Government subsidies for prepaid lease payments and property, plant and equipment	—	11,000
Decrease in restricted bank balances	**576,916**	430,686
Net cash from (used in) investing activities	**88,983**	(19,152)
Financing activities		
Interest paid	**(352,603)**	(238,777)
Net proceed from issue of new shares for reorganization	—	565,520
Capital injection from non-controlling shareholders to Tianjin Tianrui	—	40,000
Repayment of borrowings	**(2,074,308)**	(1,390,947)
New borrowings raised	**737,731**	990,329
Proceed from inception of finance lease	**250,000**	—
Advances from a related party	—	1,531
Proceeds from bills discounted by the Group	**175,463**	49,952
Settlement of bills discounted by the Group	**(430,648)**	(15,000)
Proceeds from bills payables raised	**660,000**	93,961
Settlement of bills payables	**(590,000)**	(1,522,500)
Payment for transfer in of equity interests of Tianrui Cement from Tianrui Group Company Limited	—	(565,516)
Issuance of mid-term debenture	**200,000**	—
Issuance of short-term debenture	**1,000,000**	500,000
Repayment of short-term debenture	**(500,000)**	—
Net cash used in financing activities	**(924,365)**	(1,491,447)
Increase in cash and cash equivalents	**140,739**	409,821
Cash and cash equivalents at beginning of year	**232,480**	343,396
Cash and cash equivalents at end of the year represented by cash and bank balances	**373,219**	753,217

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 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.

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 amendments to International Financial Reporting Standard (IFRSs).

Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities, and
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 capitalized	**(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 periods. 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 (Note 22) 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.

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 23.

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.

13. 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:

	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 2011 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 at 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 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 RMB'000	At 31 December 2011 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 RMB'000	31/12/2011 RMB'000	30/6/2012 RMB'000	31/12/2011 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 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (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 RMB'000	Depreciation on property, plant, equipment and prepaid lease payments RMB'000	Imputed interest on other payables RMB'000	Tax losses RMB'000	Others RMB'000 (note)	Total RMB'000
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.

21. DEFERRED TAXATION (Cont'd)

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.

22. 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 and 30 June 2012	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
As at 30 June 2011	1,000,000	10	8
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 and 30 June 2012	2,400,900,000	24,009	19,505

Notes:

(a) On 7 February 2011, one subscriber share was issued to the Company's subscriber, Yu Kuo Company Limited ("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 Company Limited ("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 "Capitalization 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 capitalization 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 offering at the price of HK$2.41 each. The new shares rank pari passu with the existing shares in all respects.

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

The Group

For the purpose of the preparation of the condensed consolidated statements of financial position, the balances of paid-in capital as at 1 January 2011 represented the paid-in capital of Tianrui Cement amount to RMB1,397,135,000. Pursuant to the reorganization completed on 8 April 2011, the Company became the holding company comprising the Group. The issued capital as at 30 June 2011, 31 December 2011 and 30 June 2012 represents the issued share capital of the Company.

23. 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 analyzed as follows:

	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Property, plant and equipment	1,561,770	2,202,502
Prepaid lease payments	118,749	263,117
Mining rights	92,294	63,695
Trade and other receivables	175,463	495,542
Restricted bank balances	30,000	101,750
	1,978,276	3,126,606

24. CAPITAL COMMITMENTS

	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Capital expenditure of the Group in respect of acquisition of property, plant and equipment		
- contracted for but not provided in the condensed consolidated financial statements	448,492	550,799
- authorized but not contracted for	538,015	928,609

25. OPERATING LEASE COMMITMENTS

The Group as lessee

The rental payment paid for the period ended 30 June 2012 amounted to approximately RMB900,000 (six-months ended 30 June 2011: RMB900,000) are paid for certain of its office properties.

As at 30 June 2012, the Group had commitments for future minimum lease payments in respect of rented premises which fall due as follows:

	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Within one year	**900**	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 period ended 30 June 2012 amounted to approximately RMB297,000 (six-months ended 30 June 2011: RMB1,318,000) are generated from rental of certain plant and machinery.

As at 30 June 2012, the Group had contracted with tenants for the following future minimum lease payments:

	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Within one year	**51**	348

26. RELATED PARTY DISCLOSURES

(a) Amount due from a related party

Trade in nature

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	**1,650**	572

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

26. RELATED PARTY DISCLOSURES (Cont'd)

(a) Amount due from a related party (Cont'd)

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 90 days	1,347	523
91-180 days	303	49
	1,650	572

(b) Amount due to a related party

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Trade in nature	1,420	139
Non-trade in nature	500	500
	1,920	639

Trade in nature

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	1,420	139

The average credit period offered by the above related party is 90 days.

Non-trade in nature

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	500	500

26. RELATED PARTY DISCLOSURES (Cont'd)

(c) Apart from above, during the period, the Group had the following significant transactions with the related parties.

Nature of transaction	Name of related company	Notes	Six months ended 30 June 2012 RMB'000	Six months ended 30 June 2011 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	238	17,224
	Pingdingshan Ruiping Power Company Limited (平頂山市瑞平煤電有限公司)	ii	83	—
			321	17,224
Office rental expenses	Tianrui Group Company Limited (天瑞集團有限公司)		900	1,000
Sales of goods	Ruzhou Tianrui Coking Company Limited (汝州天瑞煤焦化有限公司)	ii	3,330	1,485
	Pingdingshan Ruiping Coal & Electricity Company Limited (平頂山市瑞平煤電有限公司)	ii	1,234	—
	RuZhouShi General Old Metal Recycling Company Limited (汝州市通用廢舊金屬回收有限公司)	ii	168	—
	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	79	15,614
	Tianrui Group Yunyang Foundry Company Limited (天瑞集團雲陽鑄造有限公司)	ii	—	2,816
			4,811	19,915
Financial guarantee provided by the Group to	Tianrui Group Company Limited (天瑞集團有限公司)		—	60,000
			—	60,000

Notes:

i. An associate of the Group;

ii. Subsidiaries of Tianrui Group Company Limited (天瑞集團有限公司) which is controlled by Mr. Li Liufa, who has significant influence over the Group.

26. RELATED PARTY DISCLOSURES (Cont'd)

(d) 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 of the Group. The key management personnel compensations are as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(audited)
Salary	**4,131**	605
Retirement benefits	**48**	43
	4,179	648

27. CONTINGENT LIABILITIES

	At 30 June	At 31 December
	2012	2011
	RMB'000	RMB'000
Guarantees given to banks in respect of banking facilities granted to:		
- Third party	**50,000**	50,000

As at 30 June 2012 and 31 December 2011, the management considers the risk of the contingent liabilities are remote and no financial guarantee liabilities have been recognized.

28. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Tianrui Cement entered into a share transfer agreement with an independent third party, Pingdingshan Yaomeng Power Group Company Limited ("Yaomeng Power") (平頂山姚孟電力集團有限公司) on 10 July 2012. Pursuant to this agreement, Tianrui Cement will acquire 91% of the equity interest of Pingdingshan Yaodian Cement Company Limited (平頂山姚電水泥有限公司) from Yaomeng Power in 2012 for a consideration of RMB25,390,000.

As at the date of approval of these condensed consolidated financial statements, the acquisition has not yet completed.

(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 Liufa (李留法) and Mr. Li Xuanyu (李玄煜), a substantial shareholder of the Company, (iii) Tianrui HK, a wholly-owned subsidiary of the Company, (iv) Tianrui Cement, a wholly-owned subsidiary of the Company and (v) Mr. Li Liufa (李留法), 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 granted a freezing injunction over bank deposits 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, the management was not acknowledged by the respective principal bankers that they had executed the freezing injunction over the bank deposits in the bank accounts of Tianrui HK or Tianrui Cement; 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.

In this regard, there was no provision made for the contingency, if any, arising from the above event as of the date of approval of these condensed consolidated financial statements.