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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)

CLARIFICATION ANNOUNCEMENT AND RESUMPTION OF TRADING

Reference is made to the announcement of the Company dated 31 December 2012 in relation to the suspension of trading in its shares. This announcement is made to clarify recent news reports on the financial position and operation of the Group published by certain media outlets in Hong Kong, which are based on an article or information provided by an organisation named "Online Stock Investigation Group" (網上股票調查組).

Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.

At the request of the Company, trading in its shares was suspended with effect from 9:15 a.m. on 31 December 2012 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in shares with effect from 9:00 a.m. on 2 January 2013.

This announcement is issued by China Tianrui Group Cement Company Limited (the "Company", together with its subsidiaries, the "Group") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The board of directors of the Company (the "Board") has become aware of recent news reports published by certain media outlets in Hong Kong which are based on an article or information provided by an organisation named "Online Stock Investigation Group" (collectively, the "Reports"). The Reports gave a series of negative comments on the financial position and operation of the Group, and in particular, they claimed that the Group is in a poor financial position. The Board is of the view that the Reports are purely speculative, materially misleading, and unjustified and groundless. The Company does not know the identity of the "Online Stock Investigation Group", and management of the Company was not reached by such organisation before the release of the Reports. In view of the comments in the Reports on the Group, the Company would like to clarify and state as follows:

1. The Reports asserted that, as at the end of June 2012, the Group had short-term borrowings with maturity within one year amounting to RMB4.6 billion, of which interest-bearing bonds of RMB1 billion will become due on 16 January 2013 and by April 2013. Heavy burden of short-term liabilities poses a significant challenge to the Group.

   Management of the Group believes that the Group is fully capable of settling its bank borrowings of RMB3.6 billion when and as they become due and its short-term bonds of RMB1 billion due on 16 January 2013 and by April 2013, mainly for the following four reasons:

   (i) Except the bank deposits of RMB370 million and the restricted bank balance of RMB1.4 billion (mainly used to secure borrowings and as deposits) mentioned in the Reports, as at the end of June 2012, the Group had unutilised bank facilities of RMB2.645 billion. In addition, the Company has recently obtained additional bank facilities of RMB1 billion from the Industrial and Commercial Bank of China;

   (ii) The Group will be able to generate steady cash flows from operation and will not incur significant capital expenditures in the foreseeable future. In the first half of 2012, the Group had cash flows from operation of approximately RMB1 billion, and to date it has maintained steady cash flows from operation. Save for the technological renovation and maintenance of existing equipment, the Group has no projects in the foreseeable future which require a major capital expenditure. Therefore, most of its cash flows from operation can be used to replenish its working capital and settle its borrowings;

   (iii) The Group has strong capability to renew its short-term borrowings. In the past three years, a high percentage of the Group's short-term borrowings had been renewed or refinanced; and

(iv) With regard to Group's repayment of borrowings, the Group's monthly repayments spread out relatively evenly each month, and the Group has implemented effective cash management to ensure that the Group can duly repay its borrowings in accordance with the terms of loan agreements.

The Group wishes to emphasise that, the Group has been, and expects to continue to be, able to duly and timely repay its borrowings in accordance with the terms of loan agreements. The assumptions made in the Reports regarding a risk of the Group in its repayment of borrowings are one-sided and groundless.

2. The Reports alleged that the Group recorded revenue of merely RMB401 million in the first half of 2012, 38.69% lower than that of the same period last year, and one of the reasons was that the Group's finance costs significantly increased from RMB210 million to RMB303 million, thereby intensifying the rate of its business downturn.

   The Group wishes to clarify that the increase in finance costs of the Group in the first half of 2012 over the same period last year was largely attributable to the increase in the base interest rate set by the PBOC in the second half of 2011. However, following the decrease in the PBOC interest rate in the second half of 2012, the Company expects such factors will have a positive impact on its finance costs in the foreseeable future. Moreover, the Group proactively oversees the level of total borrowings and any change in its finance costs, and will make adjustments if necessary. According to the 2011 annual report and 2012 interim report of the Group, as the Group's finance costs increased in 2012, the scale of its total borrowings decreased from RMB7.16 billion as at 31 December 2011 to RMB6.27 billion as at 30 June 2012, in order to control the increase of its finance costs in the second half of 2012. The decrease in total borrowings also indicated that the Group has an adequate ability to repay its borrowings and adjust its funds allocation in order to minimise its exposure to finance risks. Lastly, interest capitalisation ratio also has an impact on the Group's finance costs. As such, the Reports are one-sided, inappropriate and materially misleading to conclude a business downturn of the Group merely based on an increase in its finance costs in a particular period.

3. The Report, asserted that based on the definitions of a rating in the “B” category by various credit rating agencies, a credit rating in the “B” category represents a poor credit worthiness, an unstable repayment ability in a short term and a major operating risk.

   The Group wishes to clarify that a significant number of PRC-based enterprises, including those cement companies listed in Hong Kong, and/or the notes issued by them, have been rated at a rating in the “B” category. A major reason for the Group’s rating in the “B” category is that it only has a relatively short history of listing. The Group wishes to also clarify that, in fact, the Group has historically been able to duly settle its debts during its normal course of operation. Furthermore, the recent change of three independent non-executive directors of the Company also affected the Group’s rating. As clearly stated in the announcement of the Company dated 21 December 2012, each of the three independent non-executive directors resigned or retired from the Company due to reasons such as personal development or the expiry of their service contracts with the Company. The Company considers that the Reports’ conclusion that the change of three independent non-executive directors will directly affect the relationship between the Group and the banks is arbitrary and irresponsible.

4. The Reports claimed that substantial shareholders of the Company may dispose of their depress shares at any time, and such disposals will depress its share price.

   The Company understands that the controlling shareholders of the Company have full confidence in the Group’s operation and future growth, and thus will continue to provide solid support to the Company through long-term investments. Mr. Li Liufa, chairman and a controlling shareholder of the Company, has incicated that, as of the date hereof, he has no plans to dispose of his shares in the Company as at the date of this announcement.

5. The Reports also made comments on other aspects of the Group, such as the potential adverse impact of competitors and macro-economic adjustment on the selling prices of the Group’s cement products, whether the Group will place new shares or undertake a rights issue, and other negative publicity regarding the Company and its controlling shareholders. The directors of the Company consider that these comments and information may either represent an improper exaggeration of the normal operational risks which are commonly faced by market players in the cement industry and also in other industries and widely known in the market, or speculations, or are irrelevant to the Group’s operation.

The directors of the Company confirm that, to the best of their information, knowledge and belief, the Group has a substantially sound financial position and normal business operation.

RESUMPTION OF TRADING

At the request of the Company, trading in shares was suspended with effect from 9:15 a.m. on 31 December 2012 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in shares with effect from 9:00 a.m. on 2 January 2013.

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

Hong Kong, 1 January 2013

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. Ma Chun Fung Horace, Mr. Kong Xiangzhong and Mr. Wang Ping