



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



INTERIM REPORT
2014



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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. Yang Yongzheng
Mr. Xu Wuxue
Mr. Li Jiangming

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Li Liufa (*"Chairman Li"*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kong Xiangzhong
Mr. Wang Ping
Mr. Du Xiaotang

AUDIT COMMITTEE

Mr. Wang Ping (*Chairman*)
Mr. Kong Xiangzhong
Mr. Du Xiaotang

NOMINATION COMMITTEE

Mr. Kong Xiangzhong (*Chairman*)
Mr. Yang Yongzheng
Mr. Wang Ping

REMUNERATION COMMITTEE

Mr. Du Xiaotang (*Chairman*)
Mr. Xu Wuxue
Mr. Kong Xiangzhong

CHIEF EXECUTIVE OFFICER

Mr. Li Heping

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 63 Guangcheng Road East
Ruzhou City
Henan Province
PRC

PLACE OF BUSINESS IN HONG KONG

Room 2005A, 20/F
Lippo Centre Tower 2
89 Queensway
Admiralty, Hong Kong



CORPORATE INFORMATION

COMPANY WEBSITE

<http://www.trcement.com>

JOINT COMPANY SECRETARIES

Mr. Yu Chunliang
Ms. Kwong Yin Ping Yvonne
Mr. Li Jiangming

AUTHORIZED REPRESENTATIVES

Mr. Yang Yongzheng
Mr. Yu Chunliang

ALTERNATIVE AUTHORIZED REPRESENTATIVE

Ms. Kwong Yin Ping Yvonne

CAYMAN ISLANDS SHARE REGISTRAR AND SHARE TRANSFER AGENT

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111
Cayman Islands

AUDITORS

Deloitte Touche Tohmatsu
35th Floor, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS

As to Hong Kong law

Chen & Associates in association
with Wilson Sonsini Goodrich & Rosati, P.C.
Unit 1001
10/F Henley Building
5 Queen's Road Central
Hong Kong

As to PRC law

Commerce & Finance Law Offices
6 th Floor, NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing 100022
PRC

HONG KONG SHARE REGISTRAR

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

INVESTORS AND MEDIA RELATIONS ADVISOR

PRChina Limited
Room 301, 3/F,
Hing Yip Commercial Centre
280 Des Voeux Road Central
Hong Kong



FINANCIAL HIGHLIGHTS

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Revenue	4,296,213	3,722,302
EBITDA	1,150,386	1,046,347
Gross profit	958,708	803,205
Gross profit margin	22.3%	21.6%
Profit	318,495	276,500
Profit margin	7.4%	7.4%
Included: Profit attributable to owners of the Company	327,411	283,258
Basic earnings per share (RMB)	0.14	0.12
Diluted earnings per share (RMB)	0.14	0.12
	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Total assets	22,954,178	22,648,248
Total liabilities	15,765,182	15,777,747
Equity attributable to owners of the Company	7,201,220	6,873,809



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first six months of 2014, we maintained the strong momentum to increase the sales volume of our cement products, and, as a result, strengthened our position as a leader in Henan and Liaoning cement markets.

- According to the website of Digital Cement (數字水泥), in the first half of 2014, the cement production volume of Henan increased by 6.1% year-over-year to 83.6 million tonnes. On the other hand, during the first six months of 2014, the Group sold 14.0 million tonnes of cement in Henan, representing an increase of 9.4% as compared to the same period of 2013.
- According to the website of Digital Cement (數字水泥), in the first half of 2014, the cement production volume in Liaoning was 28.0 million tonnes, representing an increase of 7.2% year-over-year. Compared with that, in Liaoning, the sales volume of our cement products increased by 30.0% year-over-year to 3.9 million tonnes in the first half of 2014.

In the first six months of 2014, 1.8 million tonnes of clinker was sold externally, representing an increase of 28.6% as compared with 1.4 million tonnes for the same period of 2013. Our clinkers produced were primarily used to satisfy our internal demand for cement production.

We recorded revenue of RMB4,296.2 million for the first six months of 2014, representing a year-over-year increase of RMB573.9 million or 15.4% as compared with the same period of 2013. The average selling price of our cement products were RMB219.9 per tonne, representing a slight increase of RMB2.6 per tonne over the average prices recorded during the same period last year.

During the reporting period, we were able to further reduce our unit production costs, as the result of both the improved utilization rates and lower raw material costs. We believe that our high efficiency in cement production by maintaining a higher utilization rate in our well-designed facilities and the centralized procurement of coal and raw materials have afforded our Group a significant cost advantage over major competitors in Henan and Liaoning, our primary markets.

In the first half of 2014, we took strategic steps in consolidating cement producers in Liaoning market and Henan market, by acquiring two cement and clinker enterprises, comprising 1 clinker production lines with an aggregate production capacity of approximately 1.0 million tonnes per annum and 2 cement production lines with an aggregate production capacity of approximately 1.6 million tonnes per annum. Only insignificant revenue and profits from the acquired capacities were recorded, since the transactions were just completed.

BUSINESS ENVIRONMENT

The first half of 2014 saw the great effort by Chinese government to maintain stability of economic growth. In the first quarter of 2014, the nation's gross domestic product (GDP) increased by 7.4% year-over-year, the lowest growth rate of GDP since the first quarter of 2009 when financial crisis harassed the world. To achieve the goal of 7.5% GDP growth set by the central government at the beginning of 2014, such actions called RRR (required reserve ratio) cutting within targeted areas and micro-stimulation are carried out. The growth rate of GDP improved in the second quarter of 2014 to 7.5%. Overall, the GDP growth rate for the first half of 2014 was 7.42%, implicating that further micro stimulus will still be needed in the second half of this year.



MANAGEMENT DISCUSSION AND ANALYSIS

Demand for cement and clinkers products to a large extent depends on the general level of activity and growth in the construction industry. Therefore, Social Fixed Assets Investment (FAI), Investment in Infrastructure and Real Estate Investment, which reflect the national level of monetary investment in physical assets such as land, buildings or installations, are important indications for the prospect of demand for cement and clinker. In the first half of 2014, China's FAI (excluding rural household) amounted to RMB21.3 trillion representing an increase of 17.3% over the corresponding period of 2013. Investment in infrastructure (excluding production and supply of electricity, heat, gas and water) increased by 25.1%, representing a growth rate of 5.5 percentage points more than the growth rate recorded in the same period of 2013. Nationwide real estate developmental investment increased by 14.1%, a growth rate of 5.7 percentage points lower than the figure for the corresponding period of 2013.

According to the Bureaus of Statistics of relevant provincial or municipal regions, for the first half of 2014, Henan, Liaoning, Anhui and Tianjin, the regions where we operate, recorded year-over-year GDP growth rate of 8.8%, 7.2%, 9.3% and 10.3%, respectively. In the meantime, the FAI (excluding rural household) in Henan, Liaoning, Anhui and Tianjin increased by 21.1%, 13.1%, 18.0% and 17.4%, respectively, over the same period of 2013. The figures may indicate that the slower growth of FAI in Liaoning in the first half of 2014 contributed to the slower growth of regional economy, but the economy of all the other regions we operate was growing faster than the national level.

CEMENT INDUSTRY

Cement demand in China continued to grow in the first half of 2014, primarily driven by the growth of investments in infrastructure. According to the National Bureau of Statistics, the total cement production in China reached 1.14 billion tonnes in the first six months of 2014, representing a year-over-year increase of 3.6%, 6 percentage point lower than the figure for the same period of 2013. According to the China Cement Association, the cement production volume in Henan, the second largest province in China in terms of the volume of cement production, reached 83.5 million tonnes for the first half of 2014, representing a year-over-year increase of 6.1%. The cement production volume in Liaoning was 28.0 million tonnes for the first half of 2014, representing year-over-year increase of 0.3% over the corresponding period in 2013. In the first half of 2014, the volume of cement production for both Anhui and Tianjin recorded year-over-year increases of 4.9%. The demand in all these regions achieved higher growth rate than the national level.

According to the website of Digital Cement (數字水泥), 22 new clinker production lines commenced production in the first half of 2014, which increased clinker production capacity by 31.1 million tonnes per annum, representing a decrease of 20% compared with 38.9 million tonnes per annum of the new clinker production capacity commenced in the first half of 2013. Nationwide investment in cement industry was RMB49.2 billion in the first half of 2014, representing a decrease of 12.2% when compared with the figure for the first half of 2013. In the region we operated, only one new clinker production line commenced in each of Henan and Anhui, during the first six months of 2014, adding new clinker capacity of 1.6 million tonnes in each of the two provinces.



MANAGEMENT DISCUSSION AND ANALYSIS

As Chinese cement industry policy continues to highlight the importance of optimal allocation of resources and sustainable growth of cement industry, the key task for cement industry development going forward will be controlling added production capacity, eliminating obsolete capacity, saving energy and resource, and reducing emission. The elimination of obsolete capacity and strict approval on new capacity will improve supply and demand dynamics, resulting in better business environment of the cement industry. Meanwhile, The Chinese government has been supporting larger and more efficient cement companies and encouraging the consolidation trend in the cement industry. With the Chinese government's encouragement and promotion, mergers and acquisitions led by major cement producers are expected to accelerate the market consolidation in the cement industry.

FINANCIAL REVIEW

Revenue

For the first half of 2014, our overall revenue was approximately RMB4,296.2 million, representing a year-over-year increase of RMB573.9 million, or 15.4% compared with the corresponding period of 2013. The cement segment recorded a revenue of approximately RMB3,937.1 million in the reporting period, representing an increase of RMB504.0 million or 14.7% year-over-year, as compared with the first half of 2013. Sale revenue of our clinker products increased by RMB69.9 million or 24.2% year-over-year over the first half of 2013. In other words, 91.6% of our overall revenue was generated by selling cement and 8.4% by selling clinker. During the first half of 2013, the corresponding figures were 92.2% and 7.8%.

In the first half of 2014, we were able to slightly increase the average selling price for cement by RMB2.6 per tonne, compared with the corresponding period of 2013. Furthermore, we sold 2.1 million tonnes of cement and 0.4 million tonnes of clinker more than we did in the first half of 2013, representing year-over-year increase of 13.3% and 28.6% respectively. The sales volume of our cement and clinker products increased to 17.9 million tonnes and 1.8 million tonnes respectively, primarily due to the additional capacity in Liaoning acquired last year and the growing demand brought by higher infrastructure investment in Henan.

In Henan and Anhui, we sold approximately 14.0 million tonnes of cement, increasing by 9.4% year-over-year. In Liaoning and Tianjin, we sold approximately 3.9 million tonnes of cement, representing year-over-year growth rate of 30.0%.

Cost of Sales

In the first half of 2014, we continued our efforts in reducing unit production costs of cement and clinker by leveraging on our scale and through centralized procurement. Our unit production cost of cement further reduced. During the reporting period, our cost of sales was approximately RMB3,337.5 million, with moderate year-over-year increase of RMB418.4 million or 14.3% as compared with the first half of 2013, mainly because our sales volume of cement and clinker grew by 13.3% and 28.6%.

Our cost of sales mainly consists of the costs of raw materials, coal and electricity. In the first half of 2014, our costs of raw materials, coal and electricity as a percentage of cost of sales was 39.9%, 32.1% and 18.2%, respectively. During the period, our costs of raw materials, coal and electricity for production of cement per tonne was RMB67.6, RMB54.4 and RMB30.9, respectively, representing increase of RMB5.81, decrease of RMB4.9 and decrease of RMB0.47, respectively, as compared with the corresponding period of 2013.



MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

Our gross profit was approximately RMB958.7 million for the half year till 30 June 2014, representing an increase of RMB155.5 million or 19.4%, from approximately RMB803.2 million last year. Our gross profit margin increased to approximately 22.3% in the first half of 2014 from 21.6% in the first half of 2013. The increases in both gross profit and gross profit margin were primarily due to the lower cost of sales and slightly higher average selling prices of cement.

Other income and other gains and losses

Other income was approximately RMB201.9 million for the first half of 2014, representing a slight decrease of RMB7.8 million, or 3.8%, from approximately RMB209.7 million for the corresponding period in 2013. The decrease was primarily due to the decrease of interest income on bank deposits.

Selling and Distribution Expenses

Our selling and distribution expenses were approximately RMB190.1 million for the first half of 2014, representing an increase of RMB39.9 million, or 26.6%, from approximately RMB150.2 million for the first half of 2013. The increase was primarily due to an increase of packaging expenses as a result of the increase in our cement sales volume.

Administrative Expenses

Administrative expenses were approximately RMB145.7 million for the half year ended 30 June 2014, representing an increase of RMB14.0 million, or 10.6%, from approximately RMB131.7 million for the half year ended 30 June 2013. The increase was mainly the result of the employment of more professionals and the increase of fees paid to professional services to drive the growth of our business during the period.

Finance Costs

Finance costs were approximately RMB380.3 million for the first half of 2014, representing an increase of RMB38.3 million, or 11.2%, from RMB340.2 million for the first half of 2013. The increase was primarily attributable to the increase in the interest expenses paid for debentures and corporate bonds.

Profit before Taxation

As a result of the foregoing, our profit before taxation was approximately RMB436.3 million for the first half of 2014, representing an increase of approximately RMB55.2 million, or approximately 14.5%, from approximately RMB381.2 million for the first half of 2013.

Income Tax Expenses

Our income tax expenses were approximately RMB117.8 million for the first half of 2014, representing an increase of RMB13.2 million, or 12.6% from approximately RMB104.7 million for the first half 2013, which was mainly due to the increase 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 first six months of 2014 was approximately RMB327.4 million, representing an increase of RMB44.2 million, or 15.6%, from approximately RMB283.3 million in the first six months of 2013. The net profit margin was maintained at the level of 7.4%, as compared with the corresponding period of 2013.

FINANCIAL AND LIQUIDITY POSITION

Loan receivables

The entire principal and interest of loan receivables of RMB993.8 million recorded as at 31 December 2013 was collected on or before 25 March 2014.



MANAGEMENT DISCUSSION AND ANALYSIS

Trade and other receivables

Trade and other receivables decreased from RMB2,822.1 million as at 31 December 2013 to RMB2,588.9 million as at 30 June 2014, mainly due to the decrease in prepayment to our suppliers.

Inventories

Inventories decreased from RMB1,311.9 million as at 31 December 2013 to RMB1,083.0 million as at 30 June 2014, primarily due to the faster inventory turnover due to our much higher sales volume in the first six months of 2014.

Cash and cash equivalents

Cash and bank balance increased from RMB1,016.3 million as at 31 December 2013 to RMB2,662.9 million as at 30 June 2014, primarily due to the accumulated cash inflows from operations during the period.

Borrowing level

Total borrowings and bonds (including corporate bonds) of the Group was approximately RMB11,608.8 million as at 30 June 2014, approximately RMB1,032.9 million higher than the total borrowings and bonds of approximately RMB10,575.9 million as at 31 December 2013. Borrowings due within one year and short-term bonds (including mid-term bonds due within one year) increased from RMB6,375.9 million as at 31 December 2013 to RMB6,985.2 million as at 30 June 2014. Borrowings due after one year (including mid-term, long-term bonds and corporate bonds) increased from RMB4,200.0 million as at 31 December 2013 to RMB4,623.6 million as at 30 June 2014. Approximately RMB5,323.0 million was debts at fixed rate and due within one year; approximately RMB3,594.6 million was debts at fixed rate and due after one year.

The Group has been repaying the debts in accordance with the terms of the loan agreement. As at 30 June 2014, we had unutilized bank facilities of approximately RMB1,980.4 million.

Principal sources of liquidity of the Group

The Group's principal sources of liquidity have historically been cash generated from operations and borrowing or debts from banks and others. We have historically used cash from such sources for working capital, production facility expansions, other capital expenditures and debt service requirements. We anticipate these uses will continue to be our principal uses of cash in the future. We expect our cash flow will be sufficient to fund our ongoing business requirements. Meanwhile, we have decided to further broaden our financing channel to improve our capital structure.

MAJOR ACQUISITIONS AND DISPOSALS

In the first half of 2014, we took strategic steps in consolidating cement producers in Liaoning market and Henan market, by acquiring two cement and clinker enterprises, comprising 1 clinker production line with an aggregate production capacity of approximately 1.0 million tonnes per annum and 2 cement production lines with an aggregate production capacity of approximately 1.6 million tonnes per annum.

Only insignificant revenue and profits from the acquired capacities were recorded into the results of the first six months ended 30 June 2014, since the transactions were just completed.

GEARING RATIO, CURRENT RATIO, QUICK RATIO, EQUITY RATIO

As at 30 June 2014, our gearing ratio was 68.7%, representing an decrease of 1 percentage point from 69.7% as at 31 December 2013. As at 30 June 2014, our current ratio was 0.8, representing an increase of 0.1 from 0.7 as at 31 December 2013; our quick ratio was 0.7, representing an increase of 0.1 from 0.6 as at 31 December 2013; our debt equity ratio was 2.2, representing a decrease of 0.1 from 2.3 as at 31 December 2013.



MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Gearing ratio = total liabilities/total assets X 100%
2. Current ratio = current assets/current liabilities
3. Quick ratio = (current assets – inventory)/current liabilities
4. Debt equity ratio = Total liabilities/equity interest, of which, equity interest includes minority interest and non-controlling interest

NET GEARING RATIO

As at 30 June 2014, our net gearing ratio was 88.1%, representing a decrease of 19.8 percentage points from 107.9% as at 31 December 2013. Net gearing ratio is calculated by dividing net borrowings by equity attributable to owners of the Company.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure during the first half of 2014 was approximately RMB284.2 million (the first half of 2013: approximately RMB1,848.9 million) and capital commitments as at 30 June 2014 was approximately RMB395.0 million (as at 31 December 2013: approximately RMB564.5 million). Both the capital expenditure and capital commitments were mainly related to the acquisition of the business, 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 capital expenditure through cash generated from operations and bank and other borrowings.

PLEDGE OF ASSETS

As at 30 June 2014, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB3,336.13 million (as at 31 December 2013: approximately RMB2,850.3 million).

CONTINGENT LIABILITIES

As at 30 June 2014, other than contingent liabilities arising from the provision of guarantee to third parties and connected parties amounting to approximately RMB798.5 million (31 December 2013: approximately RMB798.5 million), we did not have other contingent liabilities.

SIGNIFICANT INVESTMENTS

In the first half of 2014, the Group neither held any material investment nor planned to make any material investment and acquire any capital assets in future.

MARKET RISKS

Exchange rate risk

For the six-month period ended 30 June 2014 and the foreseeable subsequent period, our Group believes that the impact of exchange rate risk on our Group was and will be minimal, mainly because substantially all of our businesses are in mainland China, save for minimum foreign exchange risk in payment of external intermediary costs.

Interest rate risk

We are exposed to interest rate risk resulting from our long-term and short-term borrowings. We review our borrowings regularly to monitor our interest rate risk 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 risk exposure from all of our interest-bearing loans through the use of a mix of fixed and variable rates.



MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity risk

We have established an appropriate liquidity risk management system 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 at 30 June 2014, our Group had 8,136 employees (as at 31 December 2013: 8,086). As at 30 June 2014, the employees' cost (including remuneration) was approximately RMB190.7 million (for the same period of 2013: approximately RMB165.7 million). The remuneration policies, bonus and training programs for employees of our Group were implemented continuously according to policies disclosed in the 2013 Annual Report of the Company and no change has been made for the six-month period ended 30 June 2014.

PROSPECTS

On 5 March 2014, Chinese government officially announced to set the 2014 GDP growth target at 7.5%, a growth target considered to be necessary in order to maintain the unemployment rate in urban area not higher than 4.6% while keeping the consumer price index (CPI) below 2.1%. Although in the first quarter of 2014, China's economy grew at 7.4%, recent micro, targeted stimulus employed by the Chinese central government help raise the growth rate to 7.5% in the second quarter of this year, reaching government target.

For the rest of the year, the Chinese government is likely to continue such and even more stimulus to maintain the proper economic growth rate. In particular, increased investment in railways and reconstruction of shantytowns, as well as urbanization will secure the growth of demand for cement products. For Henan market, cement demand from rural sector will continue to be one of the main driving forces for the growth of regional cement demand. We also expect that the growing cement demand in Liaoning would maintain the strong momentum this year.

To meet the growing demand for cement, we will further strengthen our leading market position in Henan and Liaoning through internal growth and selective acquisitions. Our Group is one of the 12 national key cement enterprises recognized by the PRC government and one of the five cement enterprises designated by the Ministry of Industry and Information Technology which are encouraged to undertake cement industry-specific mergers and consolidation in central China. To encourage the consolidation of cement industry, the PRC government provides the designated enterprises with such supports as tax incentives, and special project or financing approval.

Furthermore, we expect that we will be able to lower our unit production cost and maintain our leading position in our core markets in terms of cost control through the strategies of centralized procurement of coal, electricity and raw materials and increased production utilization rate. We believe such cost advantage will support our Group to maintain a healthier profitability as compared to our major competitors in Henan and Liaoning cement markets.



DISCLOSURE OF INTERESTS

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

As at 30 June 2014, 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 Liufa ⁽¹⁾	Interests in controlled corporation/Long position	950,000,000	39.57

(1) Mr. Li Liufa is deemed to be interested in the Shares held by Yu Kuo Company Limited ("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).

Save as disclosed above, as at 30 June 2014, 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

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

As at 30 June 2014, to the best knowledge of the Directors and the senior management of the Company, the followings are the persons (being the shareholders 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	Capacity/Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Yu Kuo Company Limited ("Yu Kuo")	Beneficial owner/Long position ⁽¹⁾	950,000,000	39.57
Holy Eagle Company Limited ("Holy Eagle")	Interests in controlled corporation/Long position ⁽¹⁾	950,000,000	39.57
Yu Qi Company Limited ("Yu Qi")	Interests in controlled corporation/Long position ⁽¹⁾	950,000,000	39.57
Mr. Li Liufa	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 Company Limited ("Wan Qi")	Beneficial owner/Long position ⁽²⁾ Short position	689,400,000 30,612,245	28.71 1.28
Mr. Tang Ming Chien	Interests in controlled corporation/Long position ⁽²⁾ Short position	689,400,000 30,612,245	28.71 1.28
JPMorgan PCA Holdings (Mauritius) I Limited	Beneficial owner/Long position ⁽³⁾	200,600,000	8.36
JPMorgan Private Capital Asia Fund I, L.P.	Interests in controlled corporation/Long position ⁽³⁾ Short position	200,600,000 33,433,340	8.36 1.39
JPMorgan Private Capital Asia General Partner, L.P.	Interests in controlled corporation/Long position ⁽³⁾ Short position	200,600,000 33,433,340	8.36 1.39
JPMorgan Private Capital Asia GP Limited	Interests in controlled corporation/Long position ⁽³⁾ Short position	200,600,000 33,433,340	8.36 1.39
JPMorgan Private Capital Asia Corp	Interests in controlled corporation/Long position ⁽³⁾ Short position	200,600,000 33,433,340	8.36 1.39
JPMorgan Chase & Co.	Interests in controlled corporation/Long position ⁽³⁾ Short position	200,600,000 33,433,340	8.36 1.39
Yue Xiu Investment Fund Series Segregated Portfolio Company	Investment manager/Long position	160,000,000	6.66



DISCLOSURE OF INTERESTS

- (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 JPMorgan Private Capital Asia Fund I, L.P. (as the controlling shareholder of 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 as at 30 June 2014 pursuant to Section(s) 316(2) and/or 316(3) under Part XV of the SFO.

Saved as disclosed above, as at 30 June 2014, no other person has any interest or short position which shall be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2014 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the period ended 30 June 2014, save as disclosed in "continuing connected transactions" under "DIRECTORS' INTERESTS IN COMPETING BUSINESS", 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 period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the period ended 30 June 2014, none of the Directors or controlling shareholders (as defined under the Listing Rules) was interested in any business which competes or is likely to compete (directly or indirectly) with the businesses of the Group, save and except for the indirect equity interest of Chairman Li in Ruiping Shilong Cement Company Limited ("Ruiping Shilong") which is engaged in manufacturing and selling clinker in certain areas in Henan province as disclosed in the Prospectus.



DISCLOSURE OF INTERESTS

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 2014, no option has been granted under the Share Option Scheme.



CORPORATE GOVERNANCE AND OTHER IMPORTANT INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

For the period of six months ended 30 June 2014, the Company has adopted the code provisions set out in the Corporate Governance Code contained in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practice. The Company has been in compliance with all code provisions set out in the Corporate Governance Code throughout the period of the six months ended 30 June 2014.

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") as 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 standards set out in the Model Code throughout the six months ended 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CHANGE OF DIRECTORS, MEMBERS OF AUDIT COMMITTEE AND REMUNERATION COMMITTEE

According to Article 84 of the Articles of Association of the Company, at each annual general meeting, at least one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Further, according to Article 83(3) of the Articles of Association of the Company, the Directors shall have the power from time to time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board and Directors so appointed shall hold office only till the next annual general meeting of the Company and shall then be eligible for re-election. Mr. Wang Delong, Mr. Tang Ming Chien and Mr. Ma Chun Fung Horace ceased to be directors of the Company upon completion of the annual general meeting held on 28 May 2014 ("AGM"), details of which are set out in our AGM poll result announcement dated 28 May 2014.

The following appointment of directors and changes of members of audit committee and remuneration committee were approved by the Board effective from 11 June 2014:

- (i) Mr. Wang Ping ceased to be the chairman and member of the remuneration committee and was appointed as the chairman of the audit committee;
- (ii) Mr. Li Jiangming was appointed as an executive director of the Company; and
- (iii) Mr. Du Xiaotang was appointed as an independent non-executive director of the Company, chairman of the remuneration committee and member of the audit committee.

For further details of the Directors appointed and their respective term of appointment, please refer to our announcements dated 11 June 2014.



CORPORATE GOVERNANCE AND OTHER IMPORTANT INFORMATION

CONTINUING CONNECTED TRANSACTIONS

During the six months ended 30 June 2014, we have entered into the following connected transaction or continuing connected transaction (as defined under the Listing Rules).

(a) Purchase of Clinker and Sale of Limestone

Reference is made to our circular dated 25 April 2014. Unless stated otherwise, capitalized terms used in this paragraph (a) shall have the same meaning as the said circular referred to above.

On 25 March 2014, China Tianrui Group Cement Company Limited ("Tianrui Cement"), a wholly owned subsidiary of the Company, and Pingdingshan Ruiping Shilong Cement Company Limited ("Ruiping Shilong"), a company which Mr. Li Liufa ("Chairman Li") indirectly controls more than 30% of the voting power at its general meetings, entered into the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement. The transactions under both the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement constitute continuing connected transactions under the Listing Rules.

Pursuant to the Clinker Supply Framework Agreement, the aggregate annual caps of the transactions under the agreement are RMB360,000,000, RMB480,000,000 and RMB480,000,000 for each of the three years ending 31 December 2014, 2015 and 2016 respectively. Pursuant to the Limestone Supply Framework Agreement, the annual caps of the transaction under the agreement is RMB60,000,000 for each of the three years ending 31 December 2016 respectively.

For the six months ended 30 June 2014, Tianrui Cement purchased clinker from Ruiping Shilong with transaction value of approximately RMB76.7 million.

For the six months ended 30 June 2014, Tianrui Cement sold limestone to Ruiping Shilong with transaction value of approximately RMB15.8 million.

(b) Mutual guarantees

Reference is made to our circular dated 8 November 2013. Unless stated otherwise, capitalized terms used in this paragraph (b) shall have the same meaning as the said circular referred to above.

On 30 October 2013, Tianrui Cement and Tianrui Group Joint Stock Limited Company ("Tianrui Group"), a company controlled by Chairman Li, entered into a framework agreement which provides mutual guarantees (the "Framework Agreement"). The transactions under the Framework Agreement constitute continuing connected transactions under the Listing Rules.

The annual caps for Tianrui Group Guarantee are RMB5,200 million for the first 12 months and RMB6,000 million for the second 12 months. The annual caps for Tianrui Cement Guarantee are RMB2,200 million for the first 12 months and RMB3,000 million for the second 12 months.

For the six months ended 30 June 2014, according to the Framework Agreement and as approved by a special committee, Tianrui Cement (including its subsidiaries) had provided guarantees of RMB772 million in aggregate to Tianrui Group (including its subsidiaries), while Tianrui Group (including its subsidiaries) had provided guarantees of RMB2,000 million in aggregate to Tianrui Cement (including its subsidiaries).

INTERIM DIVIDEND

The Directors did not recommend the declaration of any interim dividend for the six months ended 30 June 2014 (30 June 2013: Nil).



CORPORATE GOVERNANCE AND OTHER IMPORTANT INFORMATION

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board has discussed with the Company's management and reviewed the interim results of the Group for the six months ended 30 June 2014. The condensed consolidated financial statements of the financial information of the interim results have not been audited or reviewed by the auditors of our Company.



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Revenue	4, 5	4,296,213	3,722,302
Cost of sales		(3,337,505)	(2,919,097)
Gross profit		958,708	803,205
Other income	6	201,881	209,753
Selling and distribution expenses		(190,108)	(150,219)
Administrative expenses		(145,741)	(131,736)
Other expenses		(8,075)	(7,828)
Finance costs	7	(380,328)	(342,015)
Profit before tax		436,337	381,160
Income tax expense	8	(117,842)	(104,660)
Profit and total comprehensive income for the period	9	318,495	276,500
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		327,411	283,258
Non-controlling interests		(8,916)	(6,758)
		318,495	276,500
Earnings per share			
Basic (RMB)	11	0.14	0.12



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	12,441,025	11,843,388
Deposits paid	13	298,083	1,291,970
Prepaid lease payments		767,318	791,573
Mining rights		204,525	215,530
Goodwill		230,051	161,480
Other intangible assets		7,775	8,226
Interest in an associate		—	—
Deferred tax assets		56,347	50,780
		14,005,124	14,362,947
CURRENT ASSETS			
Inventories		1,083,041	1,311,917
Loan receivables		—	993,777
Trade and other receivables	14	2,588,888	2,822,099
Amounts due from a related party		12,527	—
Restricted bank balances	15	2,601,727	2,141,207
Cash and bank balances	16	2,662,871	1,016,301
		8,949,054	8,285,301
CURRENT LIABILITIES			
Trade and other payables	17	3,553,561	4,604,289
Amounts due to a related party		508	31,434
Income tax payable		166,198	113,521
Short term debenture	18	2,500,000	2,100,000
Mid-term debenture — due within one year		500,000	300,000
Borrowings — due within one year	19	3,985,245	3,975,858
Obligations under finance leases		49,961	48,305
Financial guarantee contracts		7,839	8,710
		10,763,312	11,182,117
NET CURRENT LIABILITIES		(1,814,258)	(2,896,816)
TOTAL ASSETS LESS CURRENT LIABILITIES		12,190,866	11,466,131



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
CAPITAL AND RESERVES			
Issued capital		19,505	19,505
Reserves		3,336,874	3,336,874
Retained earnings		3,844,841	3,517,430
Equity attributable to owners of the Company		7,201,220	6,873,809
Non-controlling interests		(12,224)	(3,308)
TOTAL EQUITY		7,188,996	6,870,501
NON-CURRENT LIABILITIES			
Borrowings — due after one year	19	1,029,000	700,000
Mid-term debenture	20	1,594,600	1,500,000
Long-term corporate bonds	21	2,000,000	2,000,000
Other payables		28,512	16,800
Deferred tax liabilities		49,649	44,260
Deferred income		177,742	183,960
Obligations under finance leases		106,050	135,980
Provision for environmental restoration		16,317	14,630
		5,001,870	4,595,630
		12,190,866	11,466,131



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company							Total	Non-controlling interest	Total equity
	Issued capital	Share premium	Capital reserve	Statutory reserve fund	Other reserve	Revaluation reserve	Retained earnings			
	RMB'000 (Note 22)	RMB'000	RMB'000 (note i)	RMB'000 (note ii)	RMB'000 (note iii)	RMB'000 (note iv)	RMB'000	RMB'000	RMB'000	
At 1 January 2013 (audited)	19,505	1,275,536	789,990	357,740	835,046	31,768	3,013,979	6,323,564	19,896	6,343,460
Profit for the period and total comprehensive income for the period	—	—	—	—	—	—	283,258	283,258	(6,758)	276,500
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	114,038	114,038
At 30 June 2013 (unaudited)	19,505	1,275,536	789,990	357,740	835,046	31,768	3,297,237	6,606,822	127,176	6,733,998
At 1 January 2014 (unaudited)	19,505	1,275,536	789,990	413,244	826,336	31,768	3,517,430	6,873,809	(3,308)	6,870,501
Profit for the period and total comprehensive income for the period	—	—	—	—	—	—	327,411	327,411	(8,916)	318,495
At 30 June 2014 (unaudited)	19,505	1,275,536	789,990	413,244	826,336	31,768	3,844,841	7,201,220	(12,224)	7,188,996

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 2014

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Net cash generated from operating activities	798,471	152,763
Investing activities		
Interest received	98,585	31,139
Acquisition of subsidiaries	(51,029)	(431,089)
Addition of property, plant and equipment	(218,458)	(1,027,354)
Addition of prepaid lease payments	(13,720)	(8,126)
Proceeds from disposal of property, plant and equipment	1,295	3,151
Acquisition of mining rights	(1,025)	(3,561)
Repayment of loan receivables	915,000	—
Deposits paid for acquisition business, property, plant and equipment and prepaid lease payments	—	(378,771)
Decrease in restricted bank balances	460,520	642,554
Net cash from (used in) investing activities	270,128	(1,172,057)
Financing activities		
Interest paid	(396,726)	(344,084)
Repayment of borrowings	(1,511,071)	(2,517,635)
New borrowings raised	2,285,649	2,279,850
Repayment of finance lease obligations	(23,701)	(22,149)
Proceeds from bills discounted by the Group	608,802	89,605
Settlement of bills discounted by the Group	(616,582)	(382,338)
Proceeds from bills payables raised	995,000	476,700
Settlement of bills payables	(1,458,000)	(1,612,000)
Issuance of long-term company debt	—	2,000,000
Issuance of mid-term debenture	294,600	400,000
Issuance of short-term debenture	2,000,000	1,600,000
Repayment of short-term debenture	(1,600,000)	(1,000,000)
Net cash from (used in) financing activities	577,971	967,949
Increase (decrease) in cash and cash equivalents	1,646,570	(51,345)
Cash and cash equivalents at beginning of year	1,016,301	553,677
Cash and cash equivalents at end of the year represented by cash and bank balances	2,662,871	502,332



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. GENERAL INFORMATION

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

The Company is an investment holding Company. The principal activities of its subsidiaries are manufacture and sale of cement and clinker.

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

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2014 the Group's current liabilities exceeded its current assets by RMB1,814,258,000. The Group's current liabilities mainly included trade and other payables, short term debenture and borrowings.

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

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

- (i) Banking facilities of RMB1,980,440,000 in aggregate are available which are obtained before 30 June 2014.
- (ii) On 23 December 2013, the Group obtained approval from the National Association of Financial Market Institutional Investors (中國銀行間交易商協會) to issue debenture in an aggregate amount of RMB2,500,000,000 with two years effective period. The joint lead underwriters are Huaxia Bank Company Limited and CITIC Securities Company Limited. The first tranches of this debentures of RMB1,000,000,000 issued on 12 June 2014 and The remaining facilities of RMB1,500,000,000 is able to identify investors and issue the mid-term corporate bonds in the second half of 2014.

Taking into account of the aforesaid presently obtained banking and debenture 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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board that are mandatorily effective for the current interim period.

Amendments to IFRS 10, IFRS 12 and IFRS 27	Investment Entities;
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities;
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets;
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting;
IFRIC 21	Levies

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

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	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of cement	3,937,122	3,433,125
Sales of clinker	359,091	289,177
	4,296,213	3,722,302



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 Northeastern China.

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

	Segment revenue		Segment profit	
	Six months ended 30 June		Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Central China	3,118,171	2,797,276	375,046	277,939
Northeastern China	1,178,042	925,026	70,650	122,915
Total	4,296,213	3,722,302	445,696	400,854
Unallocated corporate administrative expenses			(9,359)	(19,694)
Profit before taxation			436,337	381,160

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

6. OTHER INCOME

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Value Added Tax refund	111,728	101,242
Incentive subsidies	10,635	2,526
Foreign exchange gain	9,513	14,599
Interest on bank deposits	19,808	31,139
Rental income	900	1,009
Release of deferred income	3,771	3,681
Gain on sales of scrap	24,038	25,506
Gain on disposal of property, plant and equipment	437	858
reversal for bad and doubtful debts	271	2,030
Others	20,780	27,163
	201,881	209,753

7. FINANCE COSTS

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	160,619	153,276
Finance lease	4,826	7,856
Bills discounted with recourse	64,373	39,434
Short term debenture	36,057	28,239
Mid-term debenture	59,781	57,226
Long-term debenture	70,606	57,589
Imputed interest on other payables	464	464
	396,726	344,084
Less: amounts capitalised	(16,398)	(2,069)
	380,328	342,015

The borrowing costs on general borrowing pool capitalized are calculated by applying capitalization rate of 6.72% per annum for the period ended 30 June 2014 (2013: 6.86% per annum).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
PRC Enterprise Income Tax ("EIT")		
— current year	120,041	108,912
— under-provision in prior years	3,368	4,039
	123,409	112,951
Deferred tax	(5,567)	(8,291)
	117,842	104,660

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.

9. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Depreciation of property, plant and equipment	321,590	311,668
Amortization of prepaid lease payments	6,766	6,373
Amortization of mining rights, included in cost of sales	4,914	4,680
Amortization of other intangible assets	451	451
Total depreciation and amortization	333,721	323,172
Cost of inventories recognized as an expense	3,337,505	2,919,097
Staff costs including retirement benefit	190,726	165,693



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

10. DIVIDENDS

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

11. 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	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company (in thousands)	327,411	283,258
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share (in thousands)	2,400,900	2,400,900

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

12. 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 RMB857,000 (six-months ended 30 June 2013: RMB2,294,000), for cash proceeds of RMB1,294,000 (six-months ended 30 June 2013: RMB3,151,000), resulting in a gain on disposal of RMB437,000 (six-months ended 30 June 2013: RMB857,000).

In addition, during the current interim period, the Group paid approximately RMB218,458,000 (six-months ended 30 June 2013: RMB1,027,354,000) mainly for construction and improvement of clinker production lines and cement production lines in order to expand the manufacturing capacity of the Group.

The carrying amounts of buildings, which the application to obtain the ownership certificates is still in process, are approximately RMB911,064,000 as at 30 June 2014 (31 December 2013: RMB909,097,000).

13. DEPOSITS PAID

As at 30 June 2014 and 31 December 2013, amounts represented deposits paid for acquisition of business, and acquiring property, plant and equipment and land use rights.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

14. TRADE AND OTHER RECEIVABLES

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Trade receivables	464,705	338,570
Less: allowances for bad and doubtful debts	(25,892)	(26,163)
	438,813	312,407
Bills receivables	184,160	374,087
Advance to suppliers	1,584,633	1,906,336
Value Added Tax refund receivables	60,016	—
Prepayment for various tax	95,293	69,558
Prepaid lease payments	13,533	19,103
Other receivables	212,440	140,608
	2,588,888	2,822,099

Bills receivables amounted to RMB64,100,000 as at 30 June 2014 (31 December 2013: RMB162,689,000) were discounted to banks to obtain borrowings.

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

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

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Within 90 days	470,997	279,107
91–80 days	113,288	366,216
181–360 days	22,076	26,114
Over 1 year	16,612	15,057
Total	622,973	686,494

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

15. PLEDGED BANK BALANCES

Restricted bank balances represent deposits pledged to banks as at 30 June 2014 for (i) securing bank borrowings granted to the Group amounting to RMB653,250,000, and (ii) issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB1,948,477,000.

Restricted bank balances represent deposits pledged to banks as at 31 December 2013 for (i) securing bank borrowings granted to the Group amounting to RMB355,000,000, and (ii) issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB1,786,207,000.

The restricted bank balances carry market interest rate of 2.60% to 4.25% per annum as at 30 June 2014 (31 December 2013: 2.60% to 4.25% per annum).

16. CASH AND BANK BALANCES

The amounts represent cash and bank balances held by the Group. As at 30 June 2014, bank balances carry interest at market rates of 0.01% and 0.35% per annum (31 December 2013: 0.01% and 0.35% per annum).

17. TRADE AND OTHER PAYABLES

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Trade payables	1,483,550	1,978,244
Bills payables	1,190,000	1,533,000
Construction cost and retention payable	363,145	330,625
Advances from customers	197,571	228,623
Other tax payables	12,175	83,251
Other payables — current	4,759	9,518
Payables for mining rights	8,300	8,300
Accrued interest	151,282	244,965
Other payables and accrued expenses	142,779	187,763
	3,553,561	4,604,289

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

17. TRADE AND OTHER PAYABLES — continued

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 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Within 1–90 days	1,830,937	2,081,685
91–180 days	493,906	1,352,479
181–365 days	308,240	102,746
Over 1 year	40,467	39,334
Total	2,673,550	3,576,244

18. SHORT TERM DEBENTURE

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Short term debenture	2,500,000	2,100,000

The amounts as at 30 June 2014 represented the short term debentures of RMB2,500,000,000 which included the fourth tranche of short term debenture of RMB500,000,000 issued on 17 October 2013 and the fifth tranche of short term debenture of RMB1,000,000,000 issued on 12 June 2014 and the sixth tranche of short term debenture of RMB1,000,000,000 issued on 23 June 2014 with maturity of one year respectively. These two tranches of short term debentures carry interest at fixed rates of 6.6%, 8.5% and 8.3% per annum, respectively.

The Directors consider that the carrying amounts of short term debentures recognized in the condensed consolidated financial statements approximate to their fair value.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

19. BORROWINGS

	At 30 June 2014 (unaudited)	At 31 December 2013 (audited)
Bank borrowings		
— fixed-rate	2,323,000	2,438,000
— variable-rate	2,691,245	2,096,668
	5,014,245	4,534,668
Bank borrowing relating to bills discounted with recourses	—	141,190
	5,014,245	4,675,858
Secured	2,002,965	3,035,656
Unsecured	3,011,280	1,640,202
	5,014,245	4,675,858

The borrowings are repayable as follows:

	At 30 June 2014 (unaudited)	At 31 December 2013 (audited)
On demand or within one year	3,985,245	3,975,858
More than one year, but not exceeding two years	919,000	600,000
More than two years, but not exceeding five years	110,000	100,000
	5,014,245	4,675,858
Less: Amount due within one year shown under current liabilities	(3,985,245)	(3,975,858)
Amount due after one year	1,029,000	700,000

During the current interim period, the Group obtained new bank loans amounting to RMB2,285,649,000 (30 June 2013: RMB2,279,850,000). The loans carry interest at variable market rates of 5.4% to 12.00% (30 June 2013: 4.5% to 11.16%). The Directors consider that the carrying amounts of borrowings recognized in the condensed consolidated financial statements approximate to their fair value.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

20. MID-TERM DEBENTURE

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Mid-term debenture	2,094,600	1,800,000
Less: due within one year	(500,000)	(300,000)
Due after one year	1,594,600	1,500,000

The amounts as at 30 June 2014 represented the issuance of mid-term debentures of RMB300,000,000 on 6 December 2011, RMB200,000,000 on 9 May 2012, RMB500,000,000 on 18 September 2012, RMB400,000,000 on 2 April 2013, RMB400,000,000 on 8 August 2013, RMB250,000,000 on 25 April 2014 and RMB44,600,000 on 29 April 2014 with maturity of three years, carrying fixed interest rate at 8.4%, 5.8%, 5.9%, 7.0%, 7.0%, 9.0% and 9.5% per annum respectively.

The Directors consider that the carrying amounts of mid-term debentures recognized in the condensed consolidated financial statements approximate to their fair value.

21. LONG-TERM CORPORATE BONDS

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Long-term corporate bonds	2,000,000	2,000,000

The amounts as at 30 June 2014 represented the issuance of long-term corporate bonds in an aggregate principal amount RMB2,000,000,000 on 6 February 2013, with a term of five years and a rate of 7.10% per annum, with an option to further extend for three years subject to the approval of the bondholders. This long-term corporate bonds were issued through the lead underwriter, HUAXI Securities Co., Ltd (華西證券有限責任公司), to non-specific buyers. This long-term corporate bonds are jointly and severally guaranteed by two subsidiaries of Tianrui Group, namely Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司) ("Tianrui Foundry") and Tianrui Group Travel Development Company Limited (天瑞集團旅遊發展有限公司) ("Tianrui Travel"). The guarantees have been provided at no cost to the Group.

The Directors consider that the carrying amounts of long-term debentures recognized in the condensed consolidated financial statements approximate to their fair value.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

22. ISSUED 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 2013 and 30 June 2014	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 2013 and 30 June 2014	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;



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

22. ISSUED CAPITAL — continued

The Company — continued

Notes: — continued

- (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.

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 31 December 2013 and 30 June 2014 represents the issued share capital of the Company.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Property, plant and equipment	2,305,180	2,124,013
Prepaid lease payments	266,213	140,136
Mining rights	47,382	68,413
Bill receivables	64,100	162,689
Restricted bank balances	653,250	355,000
	3,336,125	2,850,251

24. CAPITAL COMMITMENTS

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 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	394,974	398,027
— authorized but not contracted for	—	166,510



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

25. OPERATING LEASE COMMITMENTS

The Group as lessee

The rental payment paid for the period ended 30 June 2014 amounted to approximately RMB900,000 (six-months ended 30 June 2013: RMB900,000) are paid for certain of its office properties.

As at 30 June 2014, the Group had commitments for future minimum lease payments in respect of rented premises which fall due as follows:

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Within one year	16,761	15,801
In the second to fifth year inclusive	27,937	44,800
Over five years	6,858	7,643
	51,556	68,244

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

26. RELATED PARTY DISCLOSURES

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	
			2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Purchase of goods	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	76,744	238
	Pingdingshan Ruiping Power Company Limited (平頂山市瑞平煤電有限公司)	ii	—	83
			76,744	321
Office rental expenses	Tianrui Group Company Limited (天瑞集團有限公司)		900	900
Sales of goods	Ruzhou Tianrui Coking Company Limited (汝州天瑞煤焦化有限公司)	ii	—	3,330
	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	15,799	79
			15,799	4,811

Notes:

- i. An associate of the Group;
- ii. Subsidiaries of Tianrui Group Company Limited.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

27. CONTINGENT LIABILITIES

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Guarantees given to banks in respect of banking facilities granted to:		
Related parties	772,000	772,000
Third party	26,500	26,500
	798,500	798,500

As at 30 June 2014 and 31 December 2013, the financial guarantee given to banks in respect of bank facilities utilised by Tianrui Group Yunyang Foundry Company Limited (天瑞集團雲陽鑄造有限公司) and Ruzhou Tianrui Coking Company Limited (汝州天瑞煤焦化有限公司), two subsidiaries of Tianrui Group, which amounted to RMB250,000,000 and RMB522,000,000 respectively. The management considers the risk of the contingent liabilities and recognised financial guarantee liabilities of RMB8,710,000 in the consolidated financial statement.