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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

SUMMARY/FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Revenue	**8,950,286**	8,661,166
Gross profit	**2,057,514**	1,894,990
EBITDA	**2,470,491**	2,211,835
Profit	**540,118**	483,045
Of which: Profit attributable to owners of the Company	**564,938**	558,955
Basic earnings per share *(RMB)*	**0.24**	0.23

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Total assets	**24,663,875**	21,818,248
Of which: Current assets	**7,837,624**	7,455,301
Total liabilities	**17,250,563**	14,947,747
Of which: Current liabilities	**12,859,211**	10,352,117
Total equity	**7,413,312**	6,870,501
Of which: Equity attributable to owners of the Company	**7,435,960**	6,873,809

The Board of Directors (the "**Board**") of China Tianrui Group Cement Company Limited (the "**Company**") is pleased to announce the audited financial results of the Company and its subsidiaries (the Company and its subsidiaries, collectively, the "**Group**") for the year ended 31 December 2014. The Group's financial results have been audited by Deloitte Touche Tohmatsu.

The Board proposed the declaration of final dividend of RMB0.06 per share and special dividend of RMB0.15 per share, representing a total dividend distribution of RMB504,189,000 for the year ended 31 December 2014 (2013: Nil). The declaration of the final dividend and special dividend is subject to the shareholder approval in the forthcoming annual general meeting.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
		(except earnings per share data)	
Revenue	4, 5	**8,950,286**	8,661,166
Cost of sales		**(6,892,772)**	(6,766,176)
Gross profit		**2,057,514**	1,894,990
Other income and other gains and losses	6	**446,756**	400,726
Distribution and selling expenses		**(389,954)**	(347,121)
Administrative expenses		**(382,337)**	(405,620)
Other expenses		**(18,027)**	(61,545)
Finance costs	7	**(961,199)**	(752,107)
Profit before tax		**752,753**	729,323
Income tax expense	8	**(212,635)**	(246,278)
Profit and total comprehensive income for the year	9	**540,118**	483,045
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**564,938**	558,955
Non-controlling interests		**(24,820)**	(75,910)
		540,118	483,045
Earnings per share *(RMB)*			
Basic	10	**0.24**	0.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December **2014** ***RMB'000***	**2013** *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**12,732,279**	11,843,388
Deposits paid		**2,664,193**	1,291,970
Prepaid lease payments		**824,284**	791,573
Mining rights		**267,328**	215,530
Goodwill		**272,311**	161,480
Other intangible assets		**7,359**	8,226
Interest in an associate		—	—
Deferred tax assets	20	**58,497**	50,780
		16,826,251	14,362,947
CURRENT ASSETS			
Inventories		**1,331,028**	1,311,917
Loan receivables		—	993,777
Trade and other receivables	12	**2,106,064**	1,992,099
Amounts due from an associate		**458,635**	—
Pledged bank balances	13	**2,968,595**	2,141,207
Cash and bank balances	14	**973,302**	1,016,301
		7,837,624	7,455,301
CURRENT LIABILITIES			
Trade and other payables	15	**4,813,115**	3,774,289
Amounts due to an associate		—	31,434
Tax liabilities		**162,863**	113,521
Short term debentures	16	**2,296,446**	2,100,000
Mid-term debentures — due within one year	18	**700,000**	300,000
Borrowings — due within one year	17	**4,825,815**	3,975,858
Obligations under finance leases		**51,652**	48,305
Financial guarantee contracts		**9,320**	8,710
		12,859,211	10,352,117
NET CURRENT LIABILITIES		**(5,021,587)**	(2,896,816)
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,804,664**	11,466,131

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 31 December	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
CAPITAL AND RESERVES			
Share capital		**19,505**	19,505
Reserves and Retained earnings		**7,416,455**	6,854,304
Equity attributable to owners of the Company		**7,435,960**	6,873,809
Non-controlling interests		**(22,648)**	(3,308)
TOTAL EQUITY		**7,413,312**	6,870,501
NON-CURRENT LIABILITIES			
Borrowings — due after one year	17	**220,000**	700,000
Mid-term debentures	18	**1,792,595**	1,500,000
Long-term corporate bonds	19	**2,029,079**	2,000,000
Other payables		**8,400**	16,800
Deferred tax liabilities	20	**57,997**	44,260
Deferred income		**180,854**	183,960
Obligations under finance leases		**84,328**	135,980
Provision for environmental restoration		**18,099**	14,630
		4,391,352	4,595,630
		11,804,664	11,466,131

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014, the Group's current liabilities exceeded its current assets by RMB5,021,587,000. The Group's current liabilities mainly included trade and other payables, borrowings and debentures.

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

The consolidated financial statements have been prepared on a going concern basis. In the opinion of the Directors, 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) Unused banking facilities of RMB1,123,000,000 in aggregate are available which have been obtained before 31 December 2014, which comprised of:

(a) a banking facility of RMB230,000,000 from the Bank of China which is available until 18 September 2015;

(b) a banking facility of RMB393,000,000 from the Construction Bank of China which is available until 25 September 2015;

(c) a banking facility of RMB200,000,000 from the China Ping An Bank Company Limited which is available until 26 March 2015;

(d) a banking facility of RMB100,000,000 from the China Minsheng Bank Company Limited which is available until 4 September 2015;

(e) a banking facility of RMB120,000,000 from the China Merchants Bank Co., Ltd. which is available until 27 August 2015;

(f) a banking facility of RMB80,000,000 from the Industrial & Commercial Bank of China Company Limited which is available until 31 July 2015.

(ii) During the year 2013, the Company obtained approval from the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) to issue short term debentures subject to re-issuance after maturity and settlement prior up to a maximum outstanding amount of RMB1,500,000,000 at any point in time within two years effective period. During the effective period of approval from the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會), the Directors are of the view that the Group is able to identify investors and issue new debentures shortly after the settlement of the existing short term debentures on the respective maturity dates.

(a) the 2013 second tranche short term debentures of RMB500,000,000 issued on 27 April 2013 through the lead underwriter, China Guangfa Bank Company Limited carry interest of fixed rates of 4.70% with maturity of one year. This short term debentures fully repaid in April 2014 and will re-issue before 18 April 2015;

(b) the 2013 third tranche of short term debentures of RMB500,000,000 issued on 21 May 2013 through the lead underwriter, China Minsheng Bank Company Limited carry interest of fixed rates of 4.64% with maturity of one year. This short term debentures fully repaid in May 2014 and will re-issue before 8 May 2015;

(c) the 2013 fourth tranche of short term debentures of RMB500,000,000 issued on 18 October 2013 through the lead underwriter, China Ever Bright Bank Company Limited carry interest of fixed rates of 6.60% with maturity of one year. This short term debentures fully repaid in October 2014 and will re-issue before 24 September 2015.

The Directors are of the view that the Group is able to identify investors and re-issue the debenture of RMB1,500,000,000 in the year 2015 when the above debentures are fully repaid.

(iii) On 23 December 2013, the Company obtained approval from the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) to issue debenture subject to re-issuance after maturity and settlement prior up to a maximum outstanding amount of RMB2,500,000,000 at any point in time within two years effective period.

(a) The 2014 second tranche of short term debentures of RMB1,000,000,000 issued on 23 June 2014 through the lead underwriters, Huaxia Bank Company Limited, carry interest of fixed rates of 8.30% with maturity of one year;

(b) The 2014 third tranche of debentures of RMB500,000,000 issued on 24 September 2014 through the lead underwriters, Huaxia Bank Company Limited, carry interest of fixed rates of 8.60% with maturity of two years;

(c) The 2015 first tranche of debenture of RMB500,000,000 issued on 9 January 2015 through the lead underwriters, Huaxia Bank Company Limited, carry interest of fixed rates of 8.50% with maturity of three year;

(d) The 2015 second tranche of debenture of RMB500,000,000 issued on 22 January 2015 through the lead underwriters, Huaxia Bank Company Limited, carry interest of fixed rates of 8.0% with maturity of one year.

The Directors are of view that the Group is able to identify investors and re-issue the debenture of RMB1,000,000,000 before 23 December 2015 when the 2014 second tranche of debenture issued on 23 June 2014 was fully repaid.

(iv) On 8 December 2014, the Company obtained approval from the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) to issue debenture in an aggregate amount of RMB600,000,000 with two years effective period. The first tranche debenture of RMB300,000,000 issued on 30 December 2014 through the lead underwriter, China Ping An Bank Company Limited, carry interest of fixed rates of 7.90% with maturity of 180 days.

The Directors are of the view that the Group is able to identify investors and issue the remaining tranche debenture of RMB300,000,000 in the year 2015.

(v) On 15 September 2014, the Company obtained banking facility from China Bohai Bank Company Limited to issue short term debenture at a maximum outstanding amount of RMB2,000,000,000 within one year effective period.

The Directors are of the view that the Group is able to identify investors and issue the short term debenture of RMB2,000,000,000 before 15 September 2015.

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

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

Except for the early application of Amendments to IAS36 Recoverable Amount Disclosures for Non-Financial Assets, the Group has applied, for the first time, an interpretation and certain amendments to IFRSs that are mandatorily effective in the current year:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

IFRIC 21 Levies

The Group has applied IFRIC 21 Levies for the first time in the current year. IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

IFRIC 21 has been applied retrospectively. The application of this interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[4]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2017.
[3] Effective for annual periods beginning on or after 1 July 2014.
[4] Effective for annual periods beginning on or after 1 January 2016.
[5] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Except for the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs, the Directors anticipate that the adoption of IFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2014.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Group is in the process of making an assessment of the impact of IFRS 15 and it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

Other than set out above, the Directors do not anticipate that the application of other new and amendments to IFRSs will have a material impact on amounts reported in the Group's consolidated financial statements and/or disclosures set out these 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 year is as below:

	2014	2013
	RMB'000	*RMB'000*
Sales of cement	**8,193,327**	7,996,211
Sales of clinker	**756,959**	664,955
	8,950,286	8,661,166

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 Group's internal reporting for the purposes of resource allocation and performance assessment. This is the basis upon which the Group is organised. Management has determined the operating segments based on these reports. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

	Segment revenue		**Segment profit**	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Central China	**6,286,386**	6,273,968	**672,567**	648,052
Northeastern China	**2,663,900**	2,387,198	**103,959**	102,492
Total	**8,950,286**	8,661,166	**776,526**	750,544
Unallocated corporate administrative expenses			**(23,773)**	(21,221)
Profit before tax			**752,753**	729,323

Segment profit represents the profit before taxation without allocation unallocated corporate administrative expense including directors' emoluments.

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

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

	2014	2013
	RMB'000	*RMB'000*
SEGMENT ASSETS		
Central China	**17,378,792**	15,057,782
Northeast China	**7,207,140**	6,700,490
Total segment assets	**24,585,932**	21,758,272
Deferred tax assets	**58,497**	50,780
Other receivables	**9,233**	3,822
Cash and bank balances	**10,213**	5,374
Total assets	**24,663,875**	21,818,248
SEGMENT LIABILITIES		
Central China	**13,430,142**	11,599,978
Northeast China	**3,591,075**	3,189,988
Total segment liabilities	**17,021,217**	14,789,966
Deferred tax liabilities	**57,997**	44,260
Tax liabilities	**162,863**	113,521
Other payables	**8,486**	—
Total liabilities	**17,250,563**	14,947,747

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

— all assets are allocated to operating reportable segments other than deferred tax assets, certain other receivables and cash and bank balances; and

— all liabilities are allocated to operating reportable segments other than deferred tax liabilities, tax liabilities and certain other payables.

Other segment information

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

For the year ended 31 December 2014

	Central China	**Northeastern China**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Additions to property, plant & equipment	**779,470**	**463,366**	**1,242,836**
Additions to prepaid lease payments	**15,921**	**7,850**	**23,771**
Additions to mining rights	**66,718**	**—**	**66,718**
Finance costs	**628,459**	**332,740**	**961,199**
Provision for environmental restoration	**3,052**	**417**	**3,469**
Depreciation and amortisation	**496,299**	**260,240**	**756,539**
Allowance for bad and doubtful debts	**9,723**	**16,321**	**26,044**
(Gain)/loss on disposal of property, plant and equipment	**(904)**	**29**	**(875)**
Value Added Tax refund	**(214,481)**	**(42,519)**	**(257,000)**
Incentive subsidies	**(57,760)**	**(16,892)**	**(74,652)**
Interest on bank deposits	**(58,244)**	**(18,995)**	**(77,239)**

For the year ended 31 December 2013

	Central China *RMB'000*	Northeast China *RMB'000*	Total *RMB'000*
Additions to property, plant & equipment	943,412	82,717	1,026,129
Additions to prepaid lease payments	484	923	1,407
Additions to mining rights	9,157	—	9,157
Finance costs	358,740	393,367	752,107
Provision for environmental restoration	2,519	627	3,146
Depreciation and amortisation	491,630	238,775	730,405
Allowance (reversal of allowance) for bad and doubtful debts	886	(675)	211
Gain on disposal of property, plant and equipment	(1,657)	(679)	(2,336)
Value Added Tax refund	(92,296)	(60,821)	(153,117)
Incentive subsidies	(36,948)	(19,553)	(56,501)
Interest on bank deposits	(49,199)	(15,672)	(64,871)
Interest on loan receivables	(74,365)	—	(74,365)

All of the Group's operations, as well as all external customers and its non-current assets, are located in the PRC.

No revenue from a single customer or a group of customers under common control contributing over 10% of the total revenue of the Group for the year ended 31 December 2014 and 2013.

6. OTHER INCOME AND OTHER GAINS AND LOSSES

	2014 ***RMB'000***	2013 *RMB'000*
Value Added Tax refund *(Note i)*	**257,000**	153,117
Incentive subsidies *(Note ii)*	**74,652**	56,501
Foreign exchange (loss) gain, net	**(4,596)**	9,197
Interest on bank deposits	**77,239**	64,871
Interest on loan receivables, net of business tax	**—**	74,365
Rental income	**2,058**	2,018
Release of deferred income	**8,074**	7,261
Gain on sales of scrap	**54,764**	29,632
Gain on disposal of property, plant and equipment	**875**	2,336
Allowance for bad and doubtful debts	**(26,044)**	(211)
Others	**2,734**	1,639
	446,756	400,726

Note:

i. Value Added Tax refund represents incentives approved by relevant government authorities as a result of utilising industrial waste as part of the production materials.

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

7. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings wholly repayable within five years	**377,761**	351,349
Finance leases	**11,755**	14,859
Bills discounted with recourse	**196,167**	136,660
Short term debentures	**141,502**	78,675
Mid-term debentures	**178,237**	100,448
Long-term corporate bonds	**148,062**	125,792
Interest on other payables, including imputed interest	**982**	4,339
	1,054,466	812,122
Less: amounts capitalised in the cost of qualifying assets	**(93,267)**	(60,015)
	961,199	752,107

The borrowing costs on general borrowing pool capitalized are calculated by applying capitalization rate of 7.09% per annum for the year ended 31 December 2014 (2013: 6.86% per annum).

8. INCOME TAX EXPENSE

	2014	2013
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("EIT")		
— current year	**219,729**	257,780
— under-provision in prior year	**2,726**	2,009
	222,455	259,789
Deferred tax *(Note 20)*	**(9,820)**	(13,511)
	212,635	246,278

No provision for Hong Kong taxation has been made during both years 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%.

The tax charge for the year can be reconciled to profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2014	2013
	RMB'000	*RMB'000*
Profit before taxation	**752,753**	729,323
Tax at the applicable rate of 25% (2013: 25%)	**188,188**	182,331
Tax effect of expenses that are not deductible	**5,085**	4,203
Tax effect of tax losses not recognized	**14,173**	60,983
Utilisation of tax losses previously not recognized	**—**	(1,553)
Under-provision in prior years	**2,726**	2,009
Others	**2,463**	(1,695)
Income tax expenses for the year	**212,635**	246,278

9. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

Profit and total comprehensive income for the year has been arrived at after charging:

	2014	2013
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**722,847**	698,996
Amortisation of prepaid lease payments	**17,905**	17,436
Amortisation of mining rights, included in cost of sales	**14,920**	13,163
Amortisation of other intangible assets, included in cost of sales	**867**	810
Total depreciation and amortisation	**756,539**	730,405
Cost of inventories recognized as an expense	**6,892,772**	6,766,176
Staff costs including retirement benefit	**387,970**	349,378
Auditor's remuneration	**2,700**	2,700
Release of financial guarantee liability	**2,177**	—

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:

	2014	2013
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company	**564,938**	558,955

	2014	2013
	'000	*'000*
Number of shares		
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 for both years as there is no potential ordinary shares outstanding.

11. DIVIDEND

No dividend has been proposed, paid or declared by the Company during both years.

The Board proposed the declaration of final dividend of RMB0.06 per share and special dividend of RMB0.15 per share, representing a total dividend distribution of RMB504,189,000 for the year ended 31 December 2014 (2013: Nil). The declaration of the final dividend and special dividend is subject to the shareholder approval in the forthcoming annual general meeting.

12. TRADE AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**551,418**	338,570
Less: allowances for bad and doubtful debts	**(52,207)**	(26,163)
	499,211	312,407
Bills receivables	**314,801**	374,087
Bills endorsed to suppliers *(Note)*	**1,028,054**	1,076,336
Value Added Tax refund receivables	**20,403**	—
Prepayment for various taxes	**80,044**	69,558
Prepaid lease payments	**19,270**	19,103
Other receivables	**144,281**	140,608
	2,106,064	1,992,099

Bills receivables amounted to RMB107,633,000 as at 31 December 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.

Note: At the end of the reporting period, the Group has issued bills acceptance by banks to suppliers amount to RMB1,090,000,000 (2013: RMB803,000,000) for future purchase of raw material, which is excluded from the above balances.

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:

	2014	2013
	RMB'000	*RMB'000*
Within 90 days	**621,197**	279,107
91–180 days	**152,453**	366,216
181–360 days	**37,262**	26,114
Over 1 year	**3,100**	15,057
Total	**814,012**	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.

Included in the Group's trade receivable are debtors with aggregate carrying amount of RMB40,362,000 which are past due as at 31 December 2014 (31 December 2013: RMB41,171,000) for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. No allowance has been provided for those balances as the Group considers that there is no significant change in the credit quality of those customers from the date credit was initially granted up to the end of the reporting period.

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

Past due for:

	2014	2013
	RMB'000	*RMB'000*
181–360 days	**37,262**	26,114
Over 1 year	**3,100**	15,057
Total	**40,362**	41,171

Movement in the allowance for bad and doubtful debts

	2014	2013
	RMB'000	*RMB'000*
Balance at beginning of the year	**26,163**	25,952
Provided for the year	**26,044**	211
Balance at the end of the year	**52,207**	26,163

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of RMB52,207,000 (31 December 2013: RMB26,163,000) which was considered as uncollectable. The Group does not hold any collateral over these balances.

13. PLEDGED BANK BALANCES

As at 31 December 2014, pledged bank balances represent deposits pledged to banks for (i) securing bank borrowings granted to the Group amounting to RMB561,400,000, and (ii) issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB2,407,195,000.

As at 31 December 2013, pledged bank balances represent deposits pledged to banks 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 pledged bank balances carry market interest rate of 0.35% to 3.30% per annum as at 31 December 2014 (31 December 2013: 2.60% to 4.25% per annum).

14. CASH AND BANK BALANCES

The amounts represent cash and bank balances held by the Group. As at 31 December 2014, bank balances carry interest at market rates of 0.01% and 0.42% per annum (31 December 2013: 0.01% and 0.35% per annum).

15. TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**2,356,074**	1,978,244
Bills payables	**1,306,000**	703,000
Construction cost and retention payable	**341,655**	330,625
Advances from customers	**196,124**	228,623
Other tax payables	**63,093**	83,251
Other payables — current	**18,900**	9,518
Payables for mining rights	**8,300**	8,300
Accrued interest	**299,615**	244,965
Other payables and accrued expenses	**223,354**	187,763
	4,813,115	3,774,289

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:

	2014	2013
	RMB'000	*RMB'000*
Within 90 days	**2,175,460**	1,586,685
91–180 days	**1,279,763**	952,479
181–365 days	**153,732**	102,746
Over 1 year	**53,119**	39,334
Total	**3,662,074**	2,681,244

16. SHORT TERM DEBENTURES

	2014	2013
	RMB'000	*RMB'000*
Short term debentures	**2,296,446**	2,100,000

The amounts as at 31 December 2014 represented the short term debentures which included: (i) the 2014 first tranche of short term debentures of RMB1,000,000,000 issued on 11 June 2014 through the lead underwriter, China Bohai Bank Company Limited with maturity of one year, (ii) the 2014 second tranche of short term debentures of RMB1,000,000,000 issued on 23 June 2014 through the lead underwriter, Huaxia Bank Company Limited with maturity of one year, and (iii) the short term debentures of RMB300,000,000 issued on 30 December 2014 through the lead underwriter, Ping An Bank Company Limited with maturity of 180 days. These short term debentures carry interest of fixed rates of 8.50%, 8.30% and 7.90% per annum, respectively.

The amounts as at 31 December 2013 represented the short term debentures of RMB2,100,000,000 which included: (i) the 2013 first tranche of short term debentures of RMB600,000,000 issued on 1 February 2013 through the lead underwriter, China Guangfa Bank Company Limited with maturity of one year, (ii) the 2013 second tranche of short term debentures of RMB500,000,000 issued on 27 April 2013 through the lead underwriter, China Guangfa Bank Company Limited with maturity of one year, (iii) the 2013 third tranche of short term debentures of RMB500,000,000 issued on 21 May 2013 through the lead underwriter, China Minsheng Bank Company Limited with maturity of one year, and (iv) the 2013 fourth tranche of short term debentures of RMB500,000,000 issued on 18 October 2013 through the lead underwriter, China Ever Bright Bank Company Limited with maturity of one year. These four tranches of short term debentures carry interest of fixed rates of 4.77%, 4.70%, 4.64% and 6.60% per annum, respectively.

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

17. BORROWINGS

	2014	2013
	RMB'000	*RMB'000*
Bank borrowings		
— fixed-rate (i)	**3,221,000**	2,438,000
— variable-rate (ii, iii)	**1,720,266**	2,096,668
	4,941,266	4,534,668
Bank borrowing relating to bills discounted with recourse (iv)	**104,550**	141,190
	5,045,815	4,675,858
Secured	**3,235,815**	3,035,656
Unsecured	**1,810,000**	1,640,202
	5,045,815	4,675,858

The borrowings are repayable as follows:

	2014	2013
	RMB'000	*RMB'000*
On demand	**20,000**	—
Within one year	**4,805,815**	3,975,858
More than one year, but not exceeding two years	**65,000**	600,000
More than two years, but not exceeding five years	**155,000**	100,000
	5,045,815	4,675,858
Less: Amount due within one year shown under current liabilities (v)	**(4,825,815)**	(3,975,858)
Amount due after one year	**220,000**	700,000

The Directors consider that the carrying amounts of borrowings recognised in the consolidated financial statements approximate to their fair value.

Notes:

i As at 31 December 2014, the fixed-rate borrowings carry interests ranged from 5.60% to 12.00% per annum (31 December 2013: from 2.65% to 11.99% per annum).

ii As at 31 December 2014, the variable-rate borrowings carry interests ranged from 2.86% to 7.20% per annum (31 December 2013: from 3.60% to 8.53% per annum).

iii As at 31 December 2014, the interest rate of US Dollar variable-rate loans, amounting to RMB671,266,000 (31 December 2013: RMB668,667,000) is determined based on London Interbank Offered Rate ("LIBOR") plus from 2.60% to 2.75% per annum (2013: LIBOR plus 1.90% to 2.75% per annum), and interest rate of remaining RMB variable-rate loans is determined based on the Benchmark Interest Rate announced by the People's Bank of China.

iv As at 31 December 2014, the amounts represented bills receivables which received from customers discounted to various banks with full recourse. The discounted bills carried fixed interests ranging from 4.16% to 10.99% per annum (31 December 2013: from 5.20% to 7.90% per annum).

18. MID-TERM DEBENTURES

	Mid-term debentures
	RMB'000
At 1 January 2013	1,000,000
Additions	800,000
At 31 December 2013	1,800,000
Additions	992,595
Repayments	(300,000)
At 31 December 2014	2,492,595

	2014	2013
	RMB'000	*RMB'000*
Mid-term debentures	**2,492,595**	1,800,000
Less: Amount due within one year	**(700,000)**	(300,000)
Amount due after one year	**1,792,595**	1,500,000

The amounts as at 31 December 2014 represented the mid-term debentures which included: (i) the issuance of mid-term debentures of RMB1,500,000,000 which included RMB200,000,000 on 9 May 2012, RMB500,000,000 on 18 September 2012, RMB400,000,000 on 2 April 2013 and RMB400,000,000 on 8 August 2013 with maturity of three years, carrying fixed interest rate at 5.8%, 5.9%, 7.0% and 7.0% per annum respectively, (ii) the issuance of the 2014 third tranche of debenture of RMB500,000,000 on 24 September 2014 with maturity of two years, carrying fixed interest rate at 8.6% per annum, and (iii) the issuance of small and medium-sized enterprise private debentures of RMB44,600,000 on 30 April 2014, RMB89,500,000 on 19 September 2014 and RMB110,500,000 on 24 October 2014 with maturity of two years, carrying fixed interest rate at 9.5% per annum; the issuance of small and medium-sized enterprise private debentures of RMB250,000,000 on 25 April 2014 with maturity of three years, carrying fixed interest rate at 9.0% per annum.

The Directors consider that the carrying amount of the mid-term debentures recognised in the consolidated financial statements approximately to their fair value.

19. LONG-TERM CORPORATE BONDS

	2014	2013
	RMB'000	*RMB'000*
Long-term corporate bonds	**2,029,079**	2,000,000

The amounts as at 31 December 2014 represented: (i) 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 Foundry and Tianrui Travel. The guarantees have been provided at no cost to the Group, and (ii) the issuance of long-term corporate bonds in an aggregate principal amount HK$45,540,000, amounting to RMB35,925,000 on 2 December 2014, with a term of eight years and a rate of 6.50% per annum, This long-term corporate bonds were issued through the placing agent, Convoy Investment Service Limited (康宏證券投資服務有限公司), to non-specific buyers.

The Directors consider that the carrying amounts of the long-term corporate bonds recognised in the consolidated financial statements approximate to their fair value.

20. DEFERRED TAXATION

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

	Allowance on inventories and trade and other receivables *RMB'000*	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 2013	8,418	(24,925)	(484)	19,160	16,893	19,062
Credit (charge) to profit or loss for the year	(761)	1,558	238	6,420	6,056	13,511
Acquisition of subsidiaries	—	(26,053)	—	—	—	(26,053)
At 31 December 2013	7,657	(49,420)	(246)	25,580	22,949	6,520
Credit (charge) to profit or loss for the year	6,137	3,092	246	2,485	(2,140)	9,820
Acquisition of subsidiaries	—	(15,840)	—	—	—	(15,840)
At 31 December 2014	13,794	(62,168)	—	28,065	20,809	500

Note:

Others mainly represented the deferred tax assets arising from start-up costs, unrealised profits on intragroup transactions, provision for financial guarantee, and deferred income in respect of asset-related government grant.

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

	2014 ***RMB'000***	2013 *RMB'000*
Deferred tax assets	**58,497**	50,780
Deferred tax liabilities	**(57,997)**	(44,260)
	500	6,520

As at 31 December 2014, the Group has unused tax losses of approximately RMB419,817,000 (31 December 2013: RMB353,185,000) available for offset against future profits. A deferred tax asset has been recongnized in respect of RMB112,260,000 (31 December 2013: RMB102,320,000) of such losses. No deferred tax assets has been recognized in respect of the remaining RMB307,557,000 (31 December 2013: RMB250,865,000) due to the unpredictability of future profit streams in respective subsidiaries. The unrecognized tax loss will be expired as follows:

	2014 ***RMB'000***	2013 *RMB'000*
2016	**6,933**	6,933
2017	**70,749**	70,749
2018	**173,183**	173,183
2019	**56,692**	—
	307,557	250,865

Under the PRC EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profit of the PRC subsidiaries amounting to RMB4,639,525,000 as at 31 December 2014 (31 December 2013: RMB4,083,291,000) 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.

21. CONTINGENT LIABILITIES

	2014	2013
	RMB'000	*RMB'000*
Guarantees given to banks in respect of banking facilities granted to:		
Related parties	**720,650**	772,000
Third party	**13,000**	26,500
	733,650	798,500

As at 31 December 2014, 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), Ruzhou Tianrui Coking Company Limited (汝州天瑞煤焦化有限公司) and Tianrui Travel, three subsidiaries of Tianrui Group, which amounted to RMB195,000,000 (2013: RMB250,000,000), RMB432,000,000 (2013: RMB522,000,000) and RMB93,650,000 (2013: Nil) respectively. The management considers the risk of the contingent liabilities and recognised financial guarantee liabilities of RMB9,320,000 (2013: RMB8,710,000) in the consolidated financial statement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2014, we further improved utilization rates of clinker and cement production lines and continued to increase the sales of cement products, which in turn further consolidated our position as a leader in Henan and Liaoning cement markets.

— According to the website of Digital Cement (數字水泥), in 2014, the cement production volume of Henan increased by 1.7% year-over-year to 169.8 million tonnes. On the other hand, in 2014, the Group sold 29.2 million tonnes of cement in Henan, representing an increase of 0.3% as compared to that of 2013.

— According to the website of Digital Cement (數字水泥), in 2014, the cement production volume in Liaoning was 57.9 million tonnes, representing a decrease of 4.2% year-over-year. On the other hand, in 2014, the Group sold 8.9 million tonnes of cement in Liaoning, including 0.4 million tonnes of cement sold by newly-acquired enterprises there, representing an increase of 13.5% as compared to that of 2013.

In 2014, 3.9 million tonnes of clinker were sold externally, which remained unchanged as compared to 3.9 million tonnes sold in 2013. Our clinkers produced were primarily used to satisfy our internal demand for cement production.

In 2014, amidst a prolonged sluggish cement market, in addition to the improvement of utilization rates of clinker and cement production lines, we took several measures to reduce production costs, such as further centralized procurement of materials and the implementation of refined management, which in turn allowed us to maintain a lower production cost. This will allow the Group to possess prominent cost advantages over major competitors in the key markets of Henan and Liaoning.

We recorded revenue of RMB8,950.3 million in 2014, representing an increase of RMB289.1 million or 3.3% as compared with that of 2013. The average selling price of our cement products was RMB215.4 per tonne, representing a slight decrease of RMB3.0 per tonne as compared to last year.

In 2014, we took strategic steps in consolidating cement producers in Liaoning market, by acquiring four enterprises, which in turn own 1 clinker production line with an aggregate production capacity of approximately 1.0 million tonnes per annum and 3 cement production lines with an aggregate production capacity of approximately 2.2 million tonnes per annum. The aggregate consideration was RMB441.7 million. The acquired enterprises generated revenue of RMB143.0 million during the reporting period.

BUSINESS ENVIRONMENT

In 2014, amid sluggish global economy, the PRC government, after due consideration of the market conditions, implemented a series of measures to maintain its stability, including but not limited to targeted reserve ratio cuts and micro stimuli. In 2014, national GDP increased 7.4% year-over-year, which met largely the target set by the PRC government at the beginning of the year with its economic development within a reasonable range, while it was also the lowest growth rate since 1990.

Due to weak growth in macro economy, growth rate of investments which was closely related to cement demands showed a downward trend: in 2014, China's FAI (excluding rural household) amounted to RMB50.2 trillion, representing a decrease in investment growth rate from 19.9% of last year to 15.7% this year. Investment in infrastructure (excluding production and supply of electricity, heat, gas and water) increased by 25.1%, representing a growth rate of 0.3 percentage points lower than that of 2013. Nationwide real estate developmental investment increased by 10.5%, representing a growth rate which is 9.3 percentage points lower than the figure of 2013.

According to the Bureau of Statistics of relevant provincial or municipal regions, in 2014, Henan, Liaoning, Anhui and Tianjin, the regions where we operate, recorded year-over-year GDP growth rate of 8.9%, 5.8%, 9.2% and 10.0%, respectively. In the meantime, the FAI (excluding rural household) in Henan, Liaoning, Anhui and Tianjin increased by 19.2%, –1.5%, 16.5% and 15.3%, respectively, over that of 2013. The figures indicated that, in spite of a lower rate than that of the previous year, in 2014, the GDP growth rate of regions where the Group operates, was higher than national growth level. Also, FAI growth rate of the said areas maintained at largely the same or slightly higher level compared to the national growth rate.

CEMENT INDUSTRY

According to the website of Digital Cement (數字水泥): in 2014, the production volume of cement in China amounted to 2.48 billion tonnes, representing an increase of 1.8%; total profit in the industry reached RMB78 billion, representing an increase of 1.8% as compared to that of last year. The increase in cement demand in China was mainly attributable to a sustainable, stable and fast growth rate of over 20% of the infrastructure investment that had a material impact on the cement demand in the investment structure. Such infrastructure investment had undoubtedly become a major driving force that supported a stable cement demand. In 2014, the cement production volume in Henan, the second largest province in China in terms of the volume of cement production, reached 169.8 million tonnes in 2014, representing a year-over-year increase of 1.7%. The cement production volume in Liaoning was 57.9 million tonnes in 2014, representing year-over-year decrease of 4.2% over 2013. In 2014, the cement production volumes in Anhui and Tianjin increased by 1.6% and –1.0% year-over-year respectively.

According to the website of Digital Cement (數字水泥), 54 new clinker production lines commenced production in 2014, which increased the clinker production capacity by 70.3 million tonnes per annum, representing a decrease of approximately 25% compared with 89.1 million tonnes of the newly-added clinker production capacity in 2013. Nationwide investment in cement industry was RMB108 billion in 2014, representing a decrease of 19% when compared with the figure in 2013.

As Chinese cement industry policy continues to focus on 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 new production capacity, eliminating obsolete production capacities, 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

Our revenue was approximately RMB8,950.3 million in 2014, representing an increase of RMB289.1 million, or 3.3%, from approximately RMB8,661.2 million in 2013.

With the benefit of our regular analysis of market conditions, we have developed and adjusted our marketing strategy in order to achieve a sustainable competitive advantage. In light of the intensified competition in 2014, we adopted a proactive market strategy by leveraging our efficient production system, production scale and effective sales and marketing strategies with an aim to increase our market shares in Henan and Liaoning, which are our primary markets. Our revenue from cement sales was approximately RMB8,193.3 million in 2014, representing an increase of RMB197.1 million, or 2.5%, as compared with 2013. The increase was primarily attributable to the increase of sales volume of our cement by 1.1 million tonnes or 3.1%, from 36.9 million tonnes in 2013 to 38.0 million tonnes in 2014. The increase of our sales volume of cement was primarily due to our proactive market strategy as described above and the general increase in the market demand for our cement products, driven by the demand from certain large-scale infrastructure projects in major markets.

Clinker is a semi-finished product used to produce cement. Our clinkers produced in 2014 were primarily used to satisfy our internal demand for cement production. Only 3.9 million tonnes of the Group's clinkers were sold externally, which remained unchanged as compared to 3.9 million tonnes of clinkers sold externally in 2013. We recorded approximately RMB757.0 million of revenue generated from clinker sales in 2014, representing an increase by RMB92.0 million, or 13.8%, from approximately RMB665.0 million in 2013. Our revenue from sales of cement as a percentage of revenue was approximately 91.5% in 2014 and 92.3% in 2013, respectively. Our revenue from sales of clinker as a percentage of revenue was approximately 8.5% in 2014 and 7.7% in 2013, respectively.

Cost of Sales

In 2014, we continued our efforts in reducing unit production costs of cement and clinker by leveraging on our economies of scale and through centralized procurement. Our unit production cost of cement further reduced to partly offset the negative effect on our gross margin as the result of lower selling prices. Our cost of sales was approximately RMB6,892.8 million in 2014, representing an increase of RMB126.6 million, or 1.9% as compared with 2013. The increase was primarily due to the significant increase in our cement sales during the same period.

Our cost of sales mainly consists of cost of raw materials, coal and electricity. In 2014, our costs of raw materials, coal and electricity as a percentage of cost of sales were 42.2%, 28.5% and 17.6%, respectively. During the period, our costs of raw materials, coal and electricity for production of cement per tonne were RMB69.4, RMB46.8 and RMB29.0, respectively, representing an increase of RMB4.2, a decrease of RMB8.7 and a decrease of RMB1.8, respectively, as compared with 2013.

Gross Profit and Gross Profit Margin

Our gross profit was approximately RMB2,057.5 million for the year ended 31 December 2014, representing an increase of RMB162.5 million, or 8.6%, from approximately RMB1,895.0 million last year. Our gross profit margin increased to approximately 23.0% in 2014 from 21.9% in 2013. The increases in both gross profit and gross profit margin were primarily due to reduced purchase prices of coal and decreased unit costs of products as a result of expansion of production scales.

Other income and other gains and losses

Other income was approximately RMB446.8 million for the year ended 31 December 2014, representing an increase of RMB46.1 million, or 11.5%, from approximately RMB400.7 million for the year ended 31 December 2013. The increase was primarily due to increase in income from value-added tax refund.

Selling and Distribution Expenses

Our selling and distribution expenses were approximately RMB390.0 million for the year ended 31 December 2014, representing an increase of RMB42.9 million, or 12.3%, from approximately RMB347.1 million for the year ended 31 December 2013. The increase was primarily due to a significant increase of transportation and shipping expenses as a result of the increase in our cement sales volume.

Administrative Expenses

Administrative expenses were approximately RMB382.3 million for the year ended 31 December 2014, representing a decrease of RMB23.3 million, or 5.7%, from approximately RMB405.6 million for the year ended 31 December 2013. The decrease in administrative expenses was mainly due to the fact that we adopted stricter budget control.

Other Expenses

Other expenses were approximately RMB18.0 million for the year ended 31 December 2014, representing a decrease of approximately RMB43.5 million, or 70.7%, from approximately RMB61.5 million for the year ended 31 December 2013.

Finance Costs

Finance costs were approximately RMB961.2 million for the year ended 31 December 2014, representing an increase of RMB209.1 million, or 27.8%, from RMB752.1 million for the year ended 31 December 2013. The increase was primarily attributable to the increase in interest expenses due to increases in both the Company's total debts and average interest rate of borrowings as compared to those of 2013.

PROFIT BEFORE TAXATION

As a result of the foregoing, our profit before taxation was approximately RMB752.8 million for the year ended 31 December 2014, representing an increase of approximately RMB23.5 million, or approximately 3.2%, from approximately RMB729.3 million for the year ended 31 December 2013.

INCOME TAX EXPENSES

Our income tax expenses were approximately RMB212.6 million for the year ended 31 December 2014, representing a decrease of RMB33.7 million, or about 13.7% from approximately RMB246.3 million for the year ended 31 December 2013, which was mainly due to lesser deferred taxation adjustment issues.

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 year ended 31 December 2014 was approximately RMB564.9 million, representing an increase of RMB5.9 million, or about 1.1%, from approximately RMB559.0 million for the year ended 31 December 2013. The net profit margin decreased from 6.5% for the year ended 31 December 2013 to 6.3% for the year ended 31 December 2014, primarily attributable to the comparative increase of our financial costs as compared to our revenue.

FINANCIAL AND LIQUIDITY POSITION

Trade and other receivables

Trade and other receivables increased from RMB1,992.1 million as at 31 December 2013 to RMB2,106.1 million as at 31 December 2014, mainly due to the increase in balance of trade receivables.

Amounts due from an associate

The amounts due from an associate of approximately RMB458.6 million as at 31 December 2014 (2013: Nil) represents the advance payment paid to Ruiping Shilong for the clinker purchase in 2015 under the Clinker Supply Framework Agreement. The advance payment arrangement has been agreed after arm's length negotiation to secure clinker supply in 2015 on competitive pricing terms.

Inventories

Inventories increased from RMB1,311.9 million as at 31 December 2013 to RMB1,331.0 million as at 31 December 2014, primarily due to the Group's expansion of scale after the acquisition of four enterprises completed this year.

Cash and cash equivalents

Cash and bank balance decreased from RMB1,016.3 million as at 31 December 2013 by RMB43.0 million or 4.2% to RMB973.3 million as at 31 December 2014, primarily due to large cash outflows as a result of increase in investment activities during the current year.

Borrowings

As at 31 December 2014, the amount of total borrowings and bonds (including corporate bonds) of the Group increased by approximately RMB1,288.0 million or 12.2% to approximately RMB11,863.9 million from RMB10,575.9 million last year. 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 RMB7,822.3 million as at 31 December 2014, of which, approximately RMB3,221.0 million was borrowings at fixed interest rates; borrowings due within one year, mid-term, long-term bonds and corporate bonds decreased from RMB4,200.0 million as at 31 December 2013 to RMB4,041.6 million as at 31 December 2014, which were borrowings at floating interest rates; the Group has been repaying the debts in accordance with the terms of the loan agreement, and we had unutilized bank facilities of approximately RMB1,123.0 million as at 31 December 2014.

Principal sources of liquidity

The Group's 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 repayments. We anticipate these these sources will continue to be our principal financing 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 2014, we took strategic steps in consolidating cement producers in Liaoning market by acquiring four enterprises comprising 1 clinker production lines with an aggregate production capacity of approximately 1.0 million tonnes per annum and 3 cement production lines with an aggregate production capacity of approximately 2.2 million tonnes per annum. The aggregate consideration was RMB441.7 million. The acquisition of each of the cement and clinker enterprises does not constitute a notifiable transaction or a connected transaction under the Listing Rules. Such acquired capacities contributed RMB143.0 million to our revenue for the reporting period.

GEARING RATIO

As at 31 December 2014, our gearing ratio was 69.9%, representing an increase of 1.4% from 68.5% as at 31 December 2013. The change of gearing ratio was due to the increase of our current liabilities during the period.

As at 31 December 2014, our current ratio was 0.6, representing a decrease by 15.4% from 0.7 as at 31 December 2013. Our quick ratio was 0.5, representing a decrease of 0.1 or 14.7% from 0.6 as at 31 December 2013. Changes of above ratios were due to the increase of ending balances of loan receivables, trade and other receivables.

As at 31 December 2014, our equity ratio was 2.3, representing an increase of 0.1 or 7.0% from 2.2 as at 31 December 2013. The change of equity ratio was due to the increase of current liabilities from the current year.

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 31 December 2014, our net gearing ratio was 106.5%, representing an decrease of 1.4 percentage point from 107.9% as at 31 December 2013. Net gearing ratio is calculated by dividing net debts by equity attributable to owners of the Company.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure for the year ended 31 December 2014 was approximately RMB2,998.2 million (2013: approximately RMB2,698.3 million) and capital commitments for the year ended 31 December 2014 was approximately RMB468.3 million (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 31 December 2014, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB2,752.9 million (2013: approximately RMB2,850.3 million).

CONTINGENT LIABILITIES

As at 31 December 2014, other than contingent liabilities arising from the provision of guarantee to third parties and connected parties amounting to approximately RMB733.7 million (31 December 2013: RMB798.5 million), we did not have other contingent liabilities.

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2014, the Group neither held any material investment nor planned to make any material investment and acquire any capital assets as of 31 December 2014.

MARKET RISKS

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 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 in 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 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 31 December 2014, our Group had 8,624 employees (31 December 2013: 8,086). As at 31 December 2014, the employees' cost (including remuneration) was approximately RMB388.0 million (2013: approximately RMB349.4 million). The remuneration policies, bonus and training programs for employees of our Group were implemented continuously according to policies disclosed in the 2012 Annual Report of the Company and no change has been made for the year ended 31 December 2014.

PROSPECTS

In 2014, the PRC government largely achieved its economic development target set at the beginning of the year through a series of controlling measures. On the other hand, we should realize that the overall economic development is exposed to significant downward pressure. We therefore believe that there is a probability that the PRC government will implement more similar policies in 2015 to maintain an appropriate growth rate of economic development. The proposal and implementation of the three strategies – "One belt, one road", synergistic development among Beijing-Tianjin-Hebei and Yangtze River Economic Belt- will definitely initiate infrastructure projects and increase investment efforts. This will effectively offset downward pressure posed on cement demand and achieve a smooth transition in respect of such demand against the backdrop of a low-digit growth rate of investments in real estate and manufacture industries.

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 supports such as tax incentives, and special project or financing approval. Under the circumstances of reduced demand on cement and intensified competition, we will, leveraging on our edges and favorable policies, capture all opportunities and continue to consolidate our position as a leader in Henan and Liaoning markets through internal growth and selective acquisitions.

Furthermore, we will improve our production utilization rate through further expanding centralized purchase of materials and strengthening refined management. This will allow us to further reduce production unit cost and maintain our leading position in markets. We believe that the maintenance and improvement of such cost advantages will facilitate the Group to enjoy healthier profitability in Henan and Liaoning cement markets than that of other major competitors.

CORPORATE GOVERNANCE

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 from 1 January 2014 to 31 December 2014, the Company has adopted the code provisions set out in the Corporate Governance Code set out 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 year ended 31 December 2014.

REVISED DEED OF NON-COMPETITION UNDERTAKING

In the extraordinary general meeting held on 17 November 2014, the independent shareholders of the Company approved the proposed amendments to the Deed of Non-competition Undertaking. Details of the relevant amendments were set out in the circular of the Company dated 31 October 2014. The Details on implementation of the Deed of Non-competition Undertaking will be set out in the forthcoming annual report.

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 as set out in the Model Code throughout the year ended 31 December 2014.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Board of the Company has discussed with the management of the Company on and reviewed the consolidated financial statements of the Group for the year ended 31 December 2014. The financial information included in this announcement has been agreed with the Company's auditor, Deloitte Touche Tohmatsu.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

Notice of the annual general meeting of the Company will be published and dispatched to the Company's shareholders in the manner required by the Listing Rules in due course.

FINAL DIVIDEND

The Board proposed the declaration of final dividend of RMB0.06 per share and special dividend of RMB0.15 per share, representing a total dividend distribution of RMB504,189,000 for the year ended 31 December 2014 (2013: Nil). The declaration of the final dividend and special dividend is subject to the shareholder approval in the forthcoming annual general meeting.

The final dividend and special dividend will be payable in Hong Kong Dollars based on the medium exchange rate between Renminbi and Hong Kong Dollars as announced by the People's Bank of China on the date of the forthcoming annual general meeting. The Company will make further announcement on the date of annual general meeting, closure of register of members and the dividend payment as soon as practicable.

PUBLICATION OF ANNUAL REPORT

The Company's annual report for the year ended 31 December 2014 will be published on the website of the Stock Exchange and the Company's website at http://www.trcement.com and will be dispatched to the Company's shareholders in due course.

APPRECIATION

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

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

Ruzhou City, Henan Province, PRC, 25 March 2015

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

Chairman and Non-executive Director
Mr. Li Liufa

Executive Directors
Mr. Yang Yongzheng, Mr. Xu Wuxue and Mr. Li Jiangming

Independent Non-executive Directors
Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Du Xiaotang