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 Report **2015**

CONTENTS

Corporate Information

REGISTERED NAME OF THE COMPANY

China Tianrui Group Cement Company Limited

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

01252

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Li Liufa

EXECUTIVE DIRECTORS

Mr. Xu Wuxue
Mr. Li Jiangming

NON-EXECUTIVE DIRECTORS

Mr. Li Heping (appointed on 4 December 2015)
Mr. Yang Yongzheng (re-designated from executive director to non-executive director on 3 December 2015)

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

Li Heping (resigned on 1 December 2015)

PRINCIPAL BANKERS

Bank of China, Henan Branch
Industrial and Commercial Bank of China, Henan Branch
China Construction Bank, Henan Branch
Everbright Bank, Zhengzhou Branch
Huaxia Bank, Zhengzhou Branch
Bohai Bank

REGISTERED OFFICE

Cricket Square
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Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Zhengzhou 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. Li Jiangming (appointed on 10 September 2015)
Ms. Kwong Yin Ping Yvonne

CAYMAN ISLANDS SHARE REGISTRAR AND SHARE TRANSFER AGENT

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PO Box 2681, Grand Cayman
KY1-1111
Cayman Islands

AUDITORS

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35th Floor, One Pacific Place
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Hong Kong

LEGAL ADVISERS

As to Hong Kong law

Wilson Sonsini Goodrich & Rosati
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Jardine House
1 Connaught Place
Hong Kong

As to PRC law

Commerce & Finance Law Offices
6th Floor, NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing 100022
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HONG KONG SHARE REGISTRAR

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Hong Kong

INVESTORS AND MEDIA RELATIONS ADVISOR

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

Company Profile

China Tianrui Group Cement Company Limited is one of the top 12 national cement producers, and is also the only non-state-owned enterprise designated by the Ministry of Industry and Information Technology of the PRC as one of the five leading cement companies that have received support from the PRC government for undertaking cement industry-specific mergers and acquisitions in the central China region. When undertaking cement industry-specific mergers and acquisitions and seeking project investments, our Group receives government support in the form of priority and preferential policies with respect to project approvals, grants of land use right and credit approvals. The Group has grown rapidly and strengthened its leading market position in Henan and Liaoning provinces through active organic growth and acquisition activities.

- **Advanced technological equipment.** As of 31 December 2015, all of our clinker production lines are New Dry Process clinker production lines (NSP technology) equipped with residual heat power generation equipment, which can effectively reduce electricity cost and pollution, including a clinker production line of daily production of 12,000 tonnes established in 2009, which represented the world's largest clinker production line using the most advanced technology at the time, and operated smoothly with remarkable benefits since its commencement of production.

- **Promising prospects for regional development.** As a leading cement producer in both Henan and Liaoning regions, we benefited from the revitalization of the economic zone in the central China region and the traditional industrial bases in northeast China, and the development of the Bohai Economic Rim. Alongside the Guidelines on Developing the Central China Economic Zone and their implementation rules promulgated in 2011 and 2012 respectively, the 2016 Major Targets on Economic and Social Developments of Henan Province announced during the National People's Congress and the Chinese People's political Consultative Conference in Henan in 2016 further promotes urbanization and infrastructure construction in these regions, which undoubtedly provides us with favorable opportunities. We believe that we can strengthen our market position by further expanding our production capacity and benefitting from the PRC government policy initiatives.

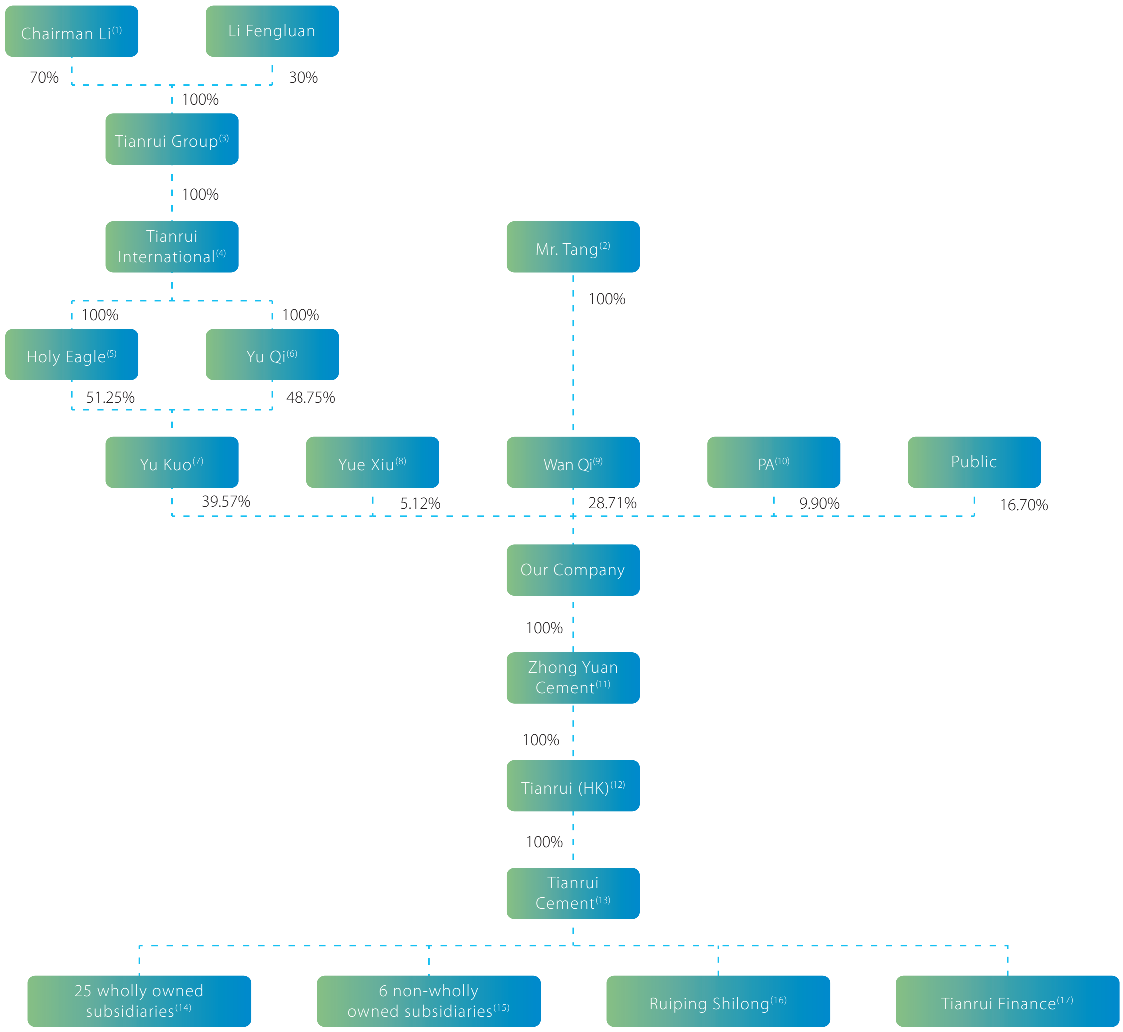
- **Sufficient reserve of resources.** We have sufficient limestone reserves and composite materials in Henan and Liaoning provinces. All of our clinker production facilities are located near our limestone quarries with sufficient resources to support our operations for at least 30 years.

- **Standardized management and brand advantage.** The Group has adopted a management model in line with international standard. The timely technical support provided by our professional technology team to our management team has laid down the foundation of our product quality and operation safety. Our Group is one of the few cement producers in China which have obtained the International Organization for Standardization (ISO) certifications for three management systems of quality control, environmental management and occupational health and safety and for product quality, at both the parent and operating subsidiary levels. Leveraging our management and high-quality products, we have successfully won tenders and become a qualified primary cement provider for a number of high-profile, large-scale infrastructure projects in China, including, among other things, the South-North Water Transfer (南水北調), Harbin-Dalian Express Railway (哈大高鐵), Shijiazhuang-Wuhan Express Railway (石武高鐵), Zhengzhou-Xuzhou Express Railway (鄭徐高鐵), Beijing-Shenyang Passenger Dedicated Line (京沈客專), Zhengzhou-Wanzhou Express Railway and Shangqiu-Hangzhou Express Railway.

- **Committed to environment protection and sustainable development.** The Group is committed to the research and development of advanced and environmentally-friendly technologies and recycling of waste materials. We have invested to construct residual heat recovery power generation equipment, to improve dust recovery equipment, and to construct mullock recycle system and waste materials recycle system. We are also one of the three Chinese cement companies that have been accepted by World Business Council for Sustainable Development as a member of the Cement Sustainability Initiative (CSI). The Group will as always improve its competitiveness and sustainable ability, and believes that it will achieve better results in future.

I. CORPORATE STRUCTURE

As at 31 December 2015, the corporate structure of our Group was as follows:



Notes:

(1) "Chairman Li" refers to Mr. Li Liufa (李留法), the founder, chairman and controlling shareholder of our Group. Ms. Li Fengluan is the spouse of Chairman Li.

(2) "Mr. Tang" refers to Mr. Tang Ming Chien (唐明千), a Canadian citizen and the sole shareholder of Wan Qi Company Limited.

(3) "Tianrui Group" refers to Tianrui Group Company Limited (天瑞集團股份有限公司), a company incorporated in the PRC with limited liability, which is 70% owned by Chairman Li and 30% owned by Li Fengluan, the spouse of Chairman Li.

(4) "Tianrui International" refers to Tianrui (International) Holding Company Limited (天瑞（國際）控股有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by Tianrui Group.

(5) "Holy Eagle" refers to Holy Eagle Company Limited (神鷹有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by Tianrui International.

(6) "Yu Qi" refers to Yu Qi Company Limited (煜祺有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by Tianrui International.

(7) "Yu Kuo" refers to Yu Kuo Company Limited (煜闊有限公司), a company incorporated in the BVI with limited liability, which is 51.25% owned by Holy Eagle and 48.75% owned by Yu Qi.

(8) "Yue Xiu" refers to Yue Xiu Investment Fund Series Segregated Portfolio Company (越秀基金獨立投資組合公司), a company incorporated in Cayman Islands with limited liability.

(9) "Wan Qi" refers to Wan Qi Company Limited, a company established in the BVI with limited liability and wholly owned by Mr. Tang.

(10) "PA" refers to PA Investments Funds SPC-PH Greater China Industrial Opportunities Fund Segregated Portfolio.

(11) "Zhong Yuan Cement" refers to Zhong Yuan Cement Company Limited (中原水泥有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of our Company.

(12) "Tianrui (HK)" refers to China Tianrui (Hong Kong) Company Limited (中國天瑞(香港)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of our Company.

(13) "Tianrui Cement" refers to Tianrui Group Cement Company Limited (天瑞集團水泥有限公司), a wholly foreign-owned enterprise established in the PRC with limited liability and a wholly-owned subsidiary of our Company.

(14) The 25 wholly-owned PRC subsidiaries of our Group are Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司, "Ruzhou Cement"), Tianrui Group Zhoukou Cement Company Limited (天瑞集團周口水泥有限公司, "Zhoukou Cement"), Weihui Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司, "Weihui Cement"), Shangqiu Tianrui Cement Company Limited (商丘天瑞水泥有限公司, "Shangqiu Cement"), Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司, "Zhengzhou Cement (Xingyang)"), Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司, "Dalian Cement"), Yingkou Tianrui Cement Company Limited (營口天瑞水泥有限公司, "Yingkou Cement"), Tianrui Group Nanzhao Cement Company Limited (天瑞集團南召水泥有限公司), Liaoyang Tianrui Cement Company Limited (遼陽天瑞水泥有限公司, "Liaoyang Cement"), Tianrui Group Yuzhou Cement Company (天瑞集團禹州水泥有限公司, "Yuzhou Cement")), Tianrui Group Xuchang Cement Company Limited (天瑞集團許昌水泥有限公司), Tianrui Group Guangshan Cement Company Limited (天瑞集團光山水泥有限公司 "Guangshan Cement"), Zhengzhou Tianrui Cement Company Limited (鄭州天瑞水泥有限公司, "Zhengzhou Tianrui"), Tianrui Group Xiaoxian Cement Company Limited (天瑞集團蕭縣水泥有限公司), Tianrui Group Ningling Cement Company Limited (天瑞集團寧陵水泥有限公司), Lushan Antai Cement Company Limited (魯山安泰水泥有限公司, "Antai Cement"), Yuzhou Zhongjin Mining Company Limited (禹州中錦礦業有限公司), Liaoyang Liaota Tianrui Cement Company Limited (遼陽天瑞遼塔水泥有限公司, "Liaota"), Liaoyang Tianrui Dengta Mining Company Limited (遼陽天瑞燈塔礦業有限公司, "Dengta Mining"), Liaoyang Tianrui Liaodong Cement Company Limited (遼陽天瑞遼東水泥集團有限公司, "Liaodong Cement"), Liaoyang Tianrui Weiqi Cement Company Limited (遼陽天瑞威企水泥有限公司, "Weiqi Cement"), Dalian Tianrui Jinhaian Cement Company Limited (大連天瑞金海岸水泥有限公司, "Dalian Jinhaian"), Haicheng the First Cement Company Limited (海城市第一水泥有限公司, "Haicheng Cement"), Haicheng Tianying Construction Stone Mining Company Limited (海城市天鷹建築石材採掘有限公司, "Tianying Mining") and Zhuanghe Tianrui Cement Company Limited (莊河天瑞水泥有限公司, "Zhuanghe Cement").

(15) The 6 non-wholly owned PRC subsidiaries of our Group are Tianjin Tianrui Cement Company Limited (天津天瑞水泥有限公司, "Tianjin Cement"), the other two shareholders are Wang Aimin (汪愛敏) and Li Ji'ang (李激昂) while each of them holds 20% of the equity interest in Tianjin Cement; Pingdingshan Tianrui Yaodian Cement Company Limited (平頂山天瑞姚電水泥有限公司, "Yaodian Cement"), the other shareholder is Pingdingshan Yaomeng Power Group Company Limited (平頂山姚孟電力集團有限公司) which holds 9% equity interest in Yaodian Cement; Xinyang Tianrui Cement Company Limited (信陽天瑞水泥有限公司, "Xinyang Cement"), the other two shareholders are Zhang Xiaogen (張小根) and Zhang Qingrong (張清榮) in the relationship between husband and wife, who hold 20% and 10% equity interest, respectively; Liaoyang Tianrui Chengxing Cement Company Limited (遼陽天瑞誠興水泥有限公司, "Chengxing Cement"), the other shareholder of Chengxing Cement is Yang, Qinggeng (楊慶庚), who holds 30% equity interest; Shenyang Tiger Cement Company Limited (瀋陽老虎水泥有限公司, "Tiger Cement"), the other shareholder is Shenyang Taifeng Special Concrete Company Limited (瀋陽泰豐特種混凝土有限公司) which holds its 40% equity interest; China Tianrui Information Technology Limited (天瑞集團信息科技有限公司), the other shareholder is Li Jia (李佳) who holds its 10% equity interest.

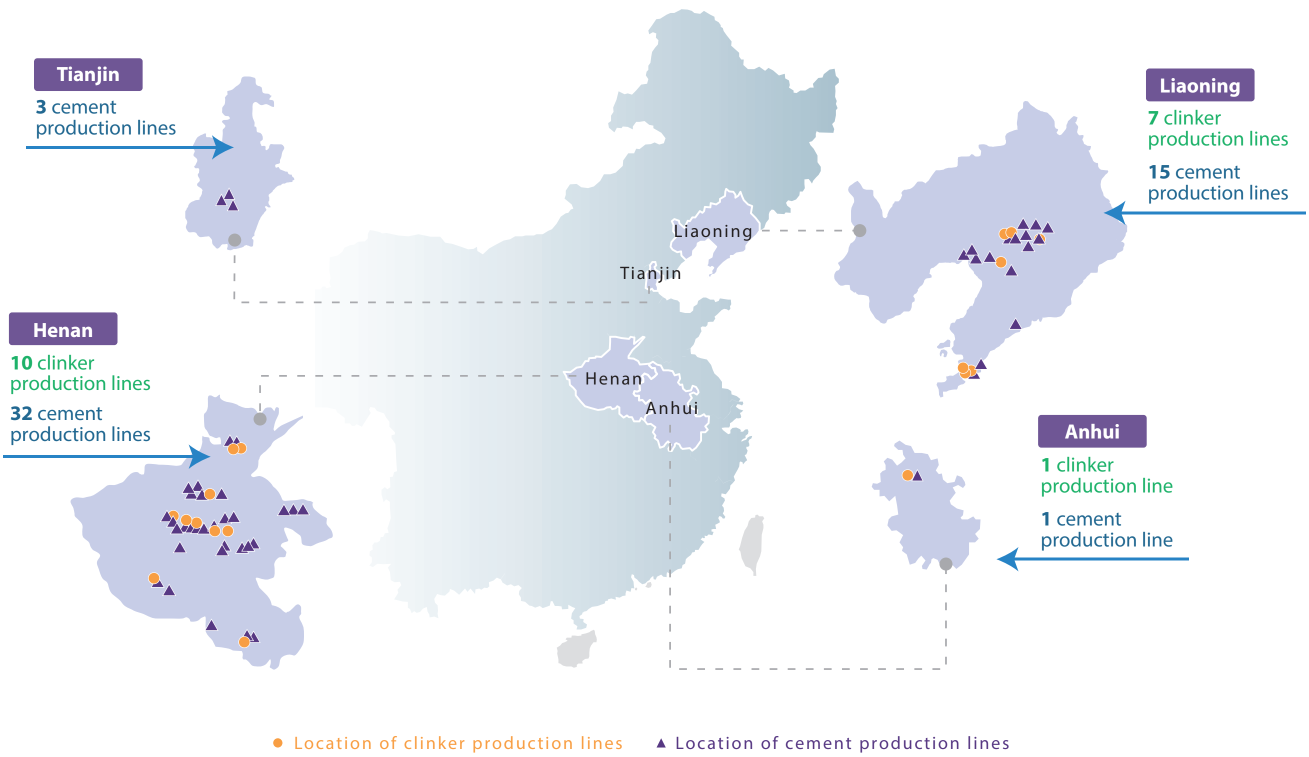
(16) "Ruiping Shilong" refers to Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司), a company established in the PRC with limited liability, its 40% equity interest is held by the Company and the other shareholder, Pingdingshan Ruiping Coal & Electricity Company Limited (平頂山市瑞平煤電有限公司), is holding its 60% equity interest.

(17) "Tianrui Finance" refers to Tianrui Group Finance Company Limited (天瑞集團財務有限公司), a company established in the PRC with limited liability, its 35% equity interest is held by the Company and 65% equity interest is held by the other shareholders, being Tianrui Group and its subsidiaries.

II. DISTRIBUTION AND PRODUCTION CAPACITY OF PRODUCTION FACILITIES

The Group's operating production facilities are mainly located in Henan province, Liaoning province, Tianjin city and certain parts of Anhui province. Our production facilities in Henan province are strategically located along the "Two Vertical and Three Horizontal" expressways and the "Two Vertical and Two Horizontal" railways, and our production facilities in Liaoning province and Tianjin city are strategically located along the Harbin-Dalian Express Railway and the Bohai Economic Rim. Our production facilities are strategically located at the intersection area of limestone resources, end market and the junctions of transportation lines, providing us with unique long-term strategic advantages.

As at 31 December 2015, the Group had 18 clinker production lines and 51 cement grinder production lines with a total annual production capacity of about 28.1 million tonnes of clinker and 50.3 million tonnes of cement, respectively, the same with that in 2014. Of such total annual production capacity, Henan region (including Anhui) had a cement production capacity of 32.4 million tonnes and a clinker production capacity of 18.1 million tonnes, and Liaoning region (including Tianjin) had a cement production capacity of 17.9 million tonnes and a clinker production capacity of 10.0 million tonnes. In addition, we directly own 40% equity interest in an associated company which operates two New Dry Process clinker production lines with an annual production capacity of 3.1 million tonnes in Pingdingshan. Based on our attributable interest in such associated companies, the Group has a total of attributable production capacity of about 29.3 million tonnes of clinker and 50.3 million tonnes of cement as of 31 December 2015. The Group prepares internal reports mainly based on two broad geographical locations named Central China and Northeastern China. Central China includes Henan province and certain parts of Anhui province. Northeastern China includes Liaoning province and Tianjin City.



Financial Highlights

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Revenue	**6,195,093**	8,950,286
Gross profit	**1,247,154**	2,057,514
EBITDA	**2,130,805**	2,470,491
Profit	**283,505**	540,118
Of which: Profit attributable to owners of the Company	**313,079**	564,938
Basic earnings per share	**0.13**	0.24
Diluted earnings per share	**N/A**	N/A
Net cash generated from operating activities	**116,064**	2,338,631
Net cash used in investing activities	**(1,960,040)**	(2,771,352)
Net cash generated from financing activities	**1,592,985**	389,722

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Total assets	**27,090,462**	24,663,875
Of which: Current assets	**9,921,998**	7,837,624
Total liabilities	**19,672,581**	17,250,563
Of which: Current liabilities	**13,784,777**	12,859,211
Total equity	**7,418,061**	7,413,312
Of which: Equity attributable to owners of the Company	**7,470,283**	7,435,960

Management Discussion and Analysis

BUSINESS REVIEW

In 2015, economic growth in China slowed further and the cement industry was mired in the most difficult situation in years. National cement output decreased by 5.0% year-over-year. Given the continued market downturn in the cement industry, as one of the largest enterprise groups in the cement industry, our Group has made great contributions to fulfil its industry responsibilities, respond to the relevant state departments and industry associations, strive to stagger production in coordination with other companies in the cement industry, and reduce disordered price competition.

— According to the website of Digital Cement (數字水泥), in 2015, the cement production volume in the mid-southern region decreased by approximately 1.7% year-over-year. On the other hand, in 2015, the Group sold about 25.2 million tonnes of cement in Henan, representing a decrease of about 13.7% from 2014.

— According to the website of Digital Cement (數字水泥), in 2015, the cement production volume in the northeastern region decreased by approximately 15.8% year-over-year. On the other hand, in 2015, the Group sold about 6.0 million tonnes of cement in Liaoning, representing a decrease of 32.6% from 2014.

In 2015, while striving to stagger production and reduce disordered price competition, we adopted various measures to lower production costs and enhance business efficiency, including the expansion of centralized procurement of supplies, implementation of delicacy management, and endeavor to further reduce energy consumption during production, which effectively alleviated the pressure on gross profit margin arising from the decrease in the selling price of cement due to the market downturn.

— In 2015, our gross profit margin was about 20.1%, representing a decrease of 2.9 percentage points from about 23.0% last year. Meanwhile, the average selling price of our cement decreased from about RMB215.4 per tonne in 2014 to about RMB187.2 per tonne in 2015 due to the sluggish market demand, representing a decrease of approximately 13.1%, much higher than that of our gross profit margin.

In 2015, about 2.3 million tonnes of clinker was sold externally, representing a decrease of 1.6 million tonnes from the sales of 3.9 million tonnes in 2014. During the same period, more clinker produced by us was utilized to satisfy our internal demand for cement production.

BUSINESS ENVIRONMENT

In 2015, given the sluggish global economy, the Chinese government, after due consideration of the market conditions, implemented a series of measures to maintain its economic growth, including but not limited to measures such as the reductions in deposit and lending benchmark rates of financial institutions, decreases in deposit reserve requirement ratios of various types of financial institutions, acceleration of approvals for infrastructure projects, and active promotion of the PPP cooperation model (公共私營合作制). In 2015, national GDP increased by 6.9% year-on-year, which largely met the target set by the Chinese government at the beginning of the year. Economic development also remained within a reasonable range, although this represented the lowest growth rate since 1990.

Weak macroeconomic growth was primarily due to the significant decrease in growth of investments closely related to cement demand. In 2015, China's fixed asset investments ("FAI") (excluding rural households) amounted to approximately RMB55.2 trillion, representing a decrease in investment growth from 15.7% last year to 10.0%. Among this, investment in infrastructure (excluding production and supply of electricity, heat, gas and water) increased by 17.2%, representing a decrease of 4.3 percentage points over the growth rate in 2014. Investment in property development nationwide increased by 1.0%, 9.5 percentage points lower than the growth rate in 2014.

According to the Bureau of Statistics of relevant provinces or regions, in 2015, Henan, Liaoning, Anhui and Tianjin, the regions where we operate, recorded GDP growth of 8.3%, 3.0%, 8.7% and 9.3% year-on-year respectively.

Meanwhile, the FAI (excluding rural households) in Henan, Liaoning, Anhui and Tianjin increased by 16.5%, -27.8%, 12.7% and 12.1% respectively as compared to those in 2014. The figures indicated that in 2015, the lower FAI, as compared to last year, in regions in which the Group operates resulted in slower economic growth in the region.

CEMENT INDUSTRY

According to the website of Digital Cement (數字水泥), in 2015, cement output in China amounted to approximately 2.35 billion tonnes, representing a decrease of 5.0% from 2014; total profit of the industry reached approximately RMB32.97 billion, representing a decrease of approximately 57.9% over last year. The significant drop in total profit was mainly due to the decreasing sales volume and transaction price of cement.

According to the website of Digital Cement (數字水泥), 31 new clinker production lines commenced operation in 2015, which increased the clinker production capacity by approximately 47.1 million tonnes per annum. Compared to the approximately 70.3 million tonnes of newly-added clinker production capacity in 2014, the growth rate decreased by approximately 33.0%.

As the policy on the cement industry in China focuses primarily on the optimization of resources allocation and the maintenance of sustainable growth of the cement industry, the key tasks for the development of the cement industry going forward will lie in the stringent control of new capacity, elimination of obsolete capacity, and energy saving and emission reduction. The elimination of obsolete capacity and stricter approval on new capacity will improve demand and supply dynamics, resulting in a better business environment of the cement industry. Meanwhile, the Chinese government has been strongly supporting large and efficient cement enterprises and encouraging consolidation of the cement industry. With the Chinese government's encouragement and promotion, mergers and acquisitions led by major cement producers are expected to accelerate the consolidation of the cement industry.

FINANCIAL REVIEW

Revenue

Our revenue was approximately RMB6,195.1 million in 2015, representing a decrease of RMB2,755.2 million, or 30.8%, from approximately RMB8,950.3 million in 2014.

Our revenue from cement sales was approximately RMB5,844.6 million in 2015, representing a decrease of RMB2,348.7 million, or 28.7%, as compared with 2014. The decrease was primarily attributable to the decrease of sales volume of our cement by 6.8 million tonnes or 17.9%, from 38.0 million tonnes in 2014 to 31.2 million tonnes in 2015. The respective decrease in sales volumes of cement products were primarily due to the reduction in infrastructure investment in Henan and Liaoning where the Group operates.

Clinker is a semi-finished product used to produce cement. Our clinkers produced in 2015 were primarily used to satisfy our internal demand for cement production. Only 2.3 million tonnes of the Group's clinkers were sold externally. We recorded approximately RMB350.5 million of revenue generated from clinker sales in 2015, representing a decrease of RMB406.5 million, or 53.7%, from approximately RMB757.0 million in 2014.

Our revenue from sales of cement as a percentage of revenue was approximately 94.3% in 2015 and 91.5% in 2014, respectively. Our revenue from sales of clinker as a percentage of revenue was approximately 5.7% in 2015 and 8.5% in 2014, respectively.

Cost of Sales

In 2015, 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 RMB4,947.9 million in 2015, representing a decrease of RMB1,944.9 million, or 28.2%

as compared with 2014. The decrease was primarily due to the bulk purchase price of raw materials for the production of cement and clinker.

Our cost of sales mainly consists of cost of raw materials, coal and electricity. In 2015, our costs of raw materials, coal and electricity as a percentage of cost of sales were 42.4%, 22.7% and 19.1%, respectively. During the period, our costs of raw materials, coal and electricity for production of cement per tonne were RMB62.6, RMB33.6 and RMB28.1, respectively, representing a decrease of RMB6.7, a decrease of RMB13.2 and a decrease of RMB0.8, respectively, as compared with 2014.

Gross Profit and Gross Profit Margin

Our gross profit was approximately RMB1,247.2 million for the year ended 31 December 2015, representing a decrease of RMB810.3 million, or 39.4%, from approximately RMB2,057.5 million last year. Our gross profit margin decreased to approximately 20.1% in 2015 from 23.0% in 2014. The decreases gross profit margin was primarily due to the reduction in selling prices.

Other income and other gains and losses

Other income was approximately RMB447.3 million for the year ended 31 December 2015, representing an increase of RMB0.5 million, or 0.1%, from approximately RMB446.8 million for the year ended 31 December 2014. The increase was primarily due to increase in interest on bank deposits.

Gains on fair value changes of derivative financial assets

As reference to the circular dated 31 October 2014 (the "Circular"), the amended deed of non-competition ("Amended Non-competition Deed") undertaking was entered into by Tianrui Group Company Limited ("Tianrui Group"), controlled by Mr. Li Liufa, a non-executive director of the Company, in favour of the Company. Under the Amended Non-competition Deed, Tianrui Group granted the Group the option ("Option") to acquire the business which is or may be in competition, directly or indirectly, with the business of the Group (the "New Business Opportunity").

Under the Amended Non-competition Deed, we have the option to acquire the New Business or any interest in it in accordance with (a) commercial terms which (i) will not be less favorable than those applicable to the acquisition of the same New Business Opportunity by Tianrui Group in the first instance, provided that the Company shall reimburse Tianrui Group for the acquisition costs (including tax expenses, financing costs, professional fees and travelling expenses) incurred by them in respect of their acquisition of such New Business Opportunity; and (ii) have been opined by an independent financial adviser of the Company as being normal commercial terms arrived at in the ordinary course of business of the Company, fair and reasonable and in the interest of the Company and the shareholders as a whole; and (b) any requirement under the listing rules in relation to the acquisition of the New Business and any interest in it.

Under the Amended Non-competition Deed, we are entitled to exercise the Option at any time during the Restricted Period as defined in the Circular.

As of 31 December 2015, Tianrui Group acquired certain shares of four companies including Henan Tongli Cement Corporation (河南同力水泥股份有限公司) ("Tongli Cement", a company listed on the Shenzhen Stock Exchange), China Shanshui Cement Group Limited ("Shanshui", a company listed on the main board of the Stock Exchange of Hong Kong Limited), Tianrui Xindeng Zhengzhou Cement Company Limited (天瑞新登鄭州水泥有限公司) ("Xindeng Cement", formerly known as Guotou Xindeng Zhengzhou Cement Company Limited (國投新登鄭州水泥有限公司)) and Henan Yongan Cement Company Limited (河南永安水泥有限責任公司) ("Yongan Cement"), all of which are principally engaged in manufacture and sale of cement products. As of 31 December 2015, the Company has conditionally agreed to acquire the entire equity interest in Yongan Cement but the proposed acquisition has not been completed, the details of which are set out in the announcements dated 9 September 2015 and 25 January 2016. Subsequently, the Company and Tianrui Group Company

have, on 24 March 2016, mutually agreed to enter into a deed of termination ("Deed of Termination") to terminate the Acquisition Agreement and hence the Acquisition will not proceed. For further details, please refer to the announcement dated 24 March 2016.

The Option were measured at fair value and recognized as other reserve RMB229,240,000 in the consolidated financial statements at initial recognition. The fair value of the Options at the end of December 2015 are about RMB678,809,000. The change in fair value during the year in the amount of about RMB449,569,000 are recognized in profit or loss in the consolidated financial statements.

Selling and Distribution Expenses

Our selling and distribution expenses were approximately RMB334.3 million for the year ended 31 December 2015, representing a decrease of RMB55.7 million, or 14.3%, from approximately RMB390.0 million for the year ended 31 December 2014. The decrease was primarily due to the decrease in packaging expenses, transportation costs and other distribution costs as a result of the decrease in our cement sales volume.

Administrative Expenses

Administrative expenses were approximately RMB374.5 million for the year ended 31 December 2015, representing a decrease of RMB7.8 million, or 2.0%, from approximately RMB382.3 million for the year ended 31 December 2014. The decrease in administrative expenses was mainly due to the fact that we adopted stricter budget control.

Other Expenses

Other expenses were approximately RMB92.0 million for the year ended 31 December 2015, representing an increase of approximately RMB74.0 million, or 411.1%, from approximately RMB18.0 million for the year ended 31 December 2014. The increase in other expenses was mainly due to the increase in expense incurred in temporary suspension period due to seasonal effect.

Finance Costs

Finance costs were approximately RMB1,030.7 million for the year ended 31 December 2015, representing an increase of RMB69.5 million, or 7.2%, from RMB961.2 million for the year ended 31 December 2014. The increase was primarily attributable to the increase in interest expenses due to increases in the Company's total debts as compared to those of 2014.

PROFIT BEFORE TAXATION

As a result of the foregoing, our profit before taxation was approximately RMB312.5 million for the year ended 31 December 2015, representing an decrease of approximately RMB440.3 million, or approximately 58.5%, from approximately RMB752.8 million for the year ended 31 December 2014.

INCOME TAX EXPENSES

Our income tax expenses were approximately RMB29.0 million for the year ended 31 December 2015, representing a decrease of RMB183.6 million, or about 86.4% from approximately RMB212.6 million for the year ended 31 December 2014, which was mainly due to decreases in profit before tax.

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 2015 was approximately RMB313.1 million, representing a decrease of RMB251.8 million, or about 44.6%, from approximately RMB564.9 million for the year ended 31 December 2014. The net profit margin decreased from 6.3% for the year ended 31 December 2014 to 5.1% for the year ended 31 December 2015.

FINANCIAL AND LIQUIDITY POSITION

Trade and other receivables

Trade and other receivables increased from RMB2,106.1 million as at 31 December 2014 to RMB3,170.1 million as at 31 December 2015, mainly due to the increase in balance of trade receivables and advance to suppliers.

Amounts due from an associate

The amounts due from an associate of approximately RMB508.1 million as at 31 December 2015 (2014: RMB458.6 million) 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 2016 on competitive pricing terms. For further details of the Clinker Supply Framework Agreement, please refer to the announcement dated 25 March 2014.

Inventories

Inventories decreased from RMB1,331.0 million as at 31 December 2014 to RMB832.2 million as at 31 December 2015, primarily due to the inventory procurement cost during the year 2015.

Cash and cash equivalents

Cash and bank balance decreased from RMB973.3 million as at 31 December 2014 by RMB251.0 million or 25.8% to RMB722.3 million as at 31 December 2015, primarily due to decrease in cash inflows from operating activities during the current year.

Borrowings

As at 31 December 2015, the amount of total borrowings and bonds (including corporate bonds) of the Group increased by approximately RMB3,159.3 million or 26.6% to approximately RMB15,023.2 million from RMB11,863.9 million last year. Borrowings due within one year and short-term bonds (including mid-term bonds due within one year) increased from RMB7,822.3 million as at 31 December 2014 to RMB9,426.4 million as at 31 December 2015, borrowings due after one year, mid-term, long-term bonds and corporate bonds increased from RMB4,041.7 million as at 31 December 2014 to RMB5,596.8 million as at 31 December 2015; the Group has been repaying the debts in accordance with the terms of the loan agreement, and we had unutilized bank facilities of approximately RMB1,595.0 million as at 31 December 2015.

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 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 2015, we did not make any major acquisition or disposal of any enterprises save for as disclosed herein.

(a) Definitive JV Memorandum

On 21 August 2015 (after trading hours), the Company entered into the Definitive JV Memorandum with Tianrui Group, Tianrui Group Travel Development Company Limited (天瑞集團旅遊發展有限公司) and Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司) with respect to the contribution commitment to and the operation of Tianrui Group Finance Company Limited (天瑞集團財務有限責任公司) whose principal business activity is to integrate internal and external financial resources, strengthen risk control, aggregate idle funds, decrease financing cost, accelerate turnover of capital to increase capital usage efficiency, effectively bring into play the existing financial and capital economies of scale of the Company and Tianrui Group so as to cater

for the financing needs of the Company and Tianrui Group Company. For further details, please refer to the announcement dated 23 August 2015.

(b) Proposed Acquisition of Henan Yongan Cement Company Limited (河南永安水泥有限責任公司) ("Target Company" or "Yongan Cement")

On 9 September 2015, the Company and Tianrui Group Company entered into the Acquisition Agreement, pursuant to which Tianrui Group Company conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Shares, which represent 100% equity interest of the Target Company as at the Acquisition Completion, at the consideration of RMB842,016,891, to be settled by the allotment and issue of the Consideration Shares by the Company to Yu Kuo, a wholly-owned subsidiary of Tianrui Group Company, credited as fully paid, at the Issue Price upon Acquisition Completion. On 24 March 2016, the Company and Tianrui Group Company have mutually agreed to enter into a deed of termination ("Deed of Termination") to terminate the Acquisition Agreement and hence the Acquisition will not proceed. For further details, please refer to the announcement dated 24 March 2016.

GEARING RATIO

As at 31 December 2015, our gearing ratio was 72.6%, representing an increase of 2.7% from 69.9% as at 31 December 2014. The change of gearing ratio was due to the increase of our derivative financial assets and equity during the period.

As at 31 December 2015, our current ratio was 0.7, representing a increase by 18.1% from 0.6 as at 31 December 2014. Our quick ratio was 0.7, representing a increase of 0.2 or 30.3% from 0.5 as at 31 December 2014. Changes of above ratios were due to the increase of ending balances of derivative financial assets and trade and other receivables.

As at 31 December 2015, our equity ratio was 2.7, representing an increase of 0.4 or 32.5% from 2.3 as at 31 December 2014. The change of equity ratio was due to the increase of debts during 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 2015, our net gearing ratio was 106.7%, representing an increase of 0.2 percentage point from 106.5% as at 31 December 2014. 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 2015 was approximately RMB320.4 million (2014: approximately RMB2,998.2 million) and capital commitments for the year ended 31 December 2015 was approximately RMB458.3 million (2014: approximately RMB468.3 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 2015, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB2,028.2 million (2014: approximately RMB2,645.3 million).

CONTINGENT LIABILITIES

As at 31 December 2015, other than contingent liabilities arising from the provision of guarantee to third parties and connected parties, we did not have other contingent liabilities. The guarantees provided to the connected parties have been provided pursuant to Tianrui Cement Guarantees, the details of which are set out in the circular dated 30 October 2015.

As at 31 December 2015, the maximum available balance of guarantees to third parties and connected person is RMB1,522 million (31 December 2014: RMB1,482 million), while the utilized balance of guarantees is approximately RMB647.7 million (31 December 2014: RMB733.7 million).

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2015, the Group neither held any material investment nor planned to make any material investment and acquire any capital assets as of 31 December 2015.

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 2015, our Group had 8,398 employees (31 December 2014: 8,624). As at 31 December 2015, the employees' cost (including remuneration) was approximately RMB376.0 million (2014: approximately RMB388.0 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 2015.

In accordance with the relevant requirements of the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule"), the Board has established the Remuneration Committee to formulate remuneration policy for Directors and senior management to ensure that the Company has a formal and transparent procedure. The salaries of the Group's employees (including Directors) are generally determined by reference to prevailing market conditions, personal qualifications and responsibilities. The Company carries out incentive based evaluation and control of the senior management and the management of each subsidiary mainly through the annual salary system and the annual target responsibility system. At the beginning of the year, the Company signs the annual letters of responsibility with senior management and the management of each branch and subsidiary, which set out key indicators, including production and sales, costs, profits and control objectives, as well as the fulfillment requirements of annual responsibilities. At the end of the year, the Company carries out the performance appraisal on the annual operating results and the capability of work and management for the senior management and the management of each branch and subsidiary, and the appraisal is linked with their annual remuneration. Salaries for employees are generally determined based on individual performance and are regularly reviewed based on job responsibilities. The monthly performance-based salaries are linked to the overall economic benefits of the Company.

The Company values its employees as the most valuable asset and is convinced that enhancing employees' sense of belonging is the core of successful business management. Therefore, it attaches great importance to maintaining effective communication with employees at all levels. In accordance with the requirements of relevant laws and regulations in China, the Company offers salary benefits for all employees, including salaries, allowances and pension insurance, work-related injury insurance, medical insurance and unemployment insurance and other social welfare, which are reviewed by management on a regular basis. The Company has also provided on-job training and professional skills and technical training for managers at all levels and other employees in order to constantly improve their skills and knowledge. For the year ended 31 December 2015, we organized 6,580 training sessions of various kinds lasting for 45–50 minutes each with an attendance of 93,806.

RE-DESIGNATION AND APPOINTMENT OF DIRECTOR OF THE COMPANY

During 2015, there have been the following changes to the composition of the board of directors of the Company:

(a) Mr. Li Heping has entered into an appointment letter as non-executive director of the Company for a term of 1 year with effect from 4 December 2015 subject to rotation and re-election in accordance with the articles of association of the Company. Mr. Li will not receive remuneration from the Company as a non-executive director. For further details, please refer to the announcement dated 4 December 2015.

(b) Mr. Yang Yongzheng (the former executive Director) was re-designated as non-executive Director of the Company with effect from 3 December 2015. Mr. Yang has also resigned from being authorized representative and chief operating officer of the Company and general manager of Tianrui Cement with effect from 3 December 2015. Mr. Yang's membership in the nomination committee of the Board remains unchanged. For further details, please refer to the announcement dated 3 December 2015.

PROSPECTS

In 2015, 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 2016 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. In order to expand our market coverage, we will make strategic acquisitions when necessary.

Profiles of Directors and Senior Management

DIRECTORS

As at 31 December 2015, our Board consisted of eight Directors, comprising two executive Directors, three non-executive Directors and three independent non-executive Directors. The Board is responsible for and has general powers over the management and conduct of our business. The table below shows certain information in respect of the members of our Board:

Name	Age	Main Position
Li Liufa	58	Chairman and Non-executive Director
Xu Wuxue	40	Executive Director and Chief Financial Officer
Li Jiangming	38	Executive Director and Joint Company Secretary
Li Heping	59	Non-executive Director
Yang Yongzheng	47	Non-executive Director
Wang Ping	45	Independent non-executive Director
Kong Xiangzhong	61	Independent non-executive Director
Du Xiaotang	42	Independent non-executive Director

Chairman and Non-executive Director

Mr. Li Liufa (李留法), male, aged 58, is a non-executive Director and the chairman of our Board. He is the founder of our Group. Mr. Li was appointed as a non-executive Director on 2 July 2011 and was re-elected on 28 May 2014. Chairman Li is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Chairman Li has extensive experience in the cement industry. He was a non-executive Director of Sanmenxia Tianyuan Aluminum from March 2006 to July 2008. Chairman Li was the representative of Henan province in the Tenth National People's Congress in March 2003, the Eleventh National People's Congress in March 2008 and the Twelfth National People's Congress in March 2013. Chairman Li has been the executive director of China Shanshui Cement Group Limited (691.HK) ("Shanshui Cement") since 1 December 2015 and was appointed as the chairman of Shanshui Cement's board of directors on 16 December 2015. Chairman Li obtained his executive MBA degree from Peking University (北京大學) in 2006. Chairman Li was named "Model Worker of Henan Province (河南省勞動模範)" in 1999. In January 2005, he was awarded "Henan Province Excellent Entrepreneur (河南省優秀民營企業家)" by the People's Government of Henan Province.

Executive Directors

Mr. Xu Wuxue (徐武學), male, aged 40, is an executive Director of the Company, the Chief Financial Officer and a member of the remuneration committee. Mr. Xu was appointed as an executive Director and Chief Financial Officer of the Company on 11 May 2013 and was re-elected as the executive Director on 28 May 2014. He has 15 years of experience in finance and accounting. Mr. Xu joined the Group in 2006 and served as the Deputy Financial Controller and head of the finance department of Tianrui Cement, and was appointed as the Chief Financial Officer of Tianrui Cement on 9 January 2013. Before that, Mr. Xu served as a clerk of the finance department of Ruzhou Tongyong Casting Co., Ltd. (汝州市通用鑄造公司) and the deputy general manager and head of the finance department of Xingfeng Group Co., Ltd. (星峰集團有限責任公司). Mr. Xu graduated from Luoyang Industrial College (洛陽工業高等專科學校), majoring in finance, in 1996.

Mr. Li Jiangming (李江銘), male, aged 38, is an executive Director, a joint company secretary and authorized representative of the Company and a vice general manager of capital operation of the Group and a chief representative for Hong Kong business. He is mainly responsible for capital market investment and financing business and investor relations. Mr. Li was appointed as the joint company secretary of the Company on 1 March 2013, was appointed as the executive Director of the Company on 11 June 2014, and was re-elected as executive Director on 2 June 2015. Mr. Li has extensive experience in capital operation and had participated in the whole process of Initial Public Offering of China Tianrui Group Cement Company Limited on the Hong Kong Stock Exchange. After joining our Group, Mr. Li served as the sales manager of Tianrui Group Zhengzhou Cement Company Limited, the deputy head of the capital operation department of Tianrui Cement, the general manager of Zhengzhou Tianrui Cement Company Limited and the assistant to the general manager of the Company and director of Hong Kong Office of the Company. Before joining the Group, Mr. Li had been a marketing assistant of Henan Xinfei Electric Appliance Co., Ltd. (河南新飛電器有限公司) and a Requirement Engineer of China E-port Data Center (中國電子口岸數據中心). Mr. Li obtained his master's degree from Wuhan University of Technology (武漢理工大學), majoring in international economics and trade, and obtained the securities practice qualification from the Securities Association of China. Mr. Li Jiangming is the younger brother of the spouse of Chairman Li.

Non-executive Directors

Mr. Li Heping (李和平), aged 59, is a non-executive Director of the Company. Mr. Li was appointed as a non-executive Director of the Company on 4 December 2015. Before that, Mr. Li was the executive director of the Company between 9 December 2011 and 26 April 2013, and chief executive officer of the Company between 9 December 2011 and 30 November 2015. Mr. Li used to serve as the chief accountant of Luoyang Mining Machinery Factory (洛陽礦山機器廠), the deputy head of the Commission for Restructuring the Economic System of Henan Province (河南省經濟體制改革委員會), the general manager of Zhongxin Heavy Machinery Company (中信重型機械公司) and a director and senior management member of Tianrui Group Company Limited. Mr. Li was a non-executive Director and the chairman of the board of Sanmenxia Tianyuan Aluminum Company Limited (a company which was listed on the Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") with the stock code of 8253.HK) between March 2006 and May 2012, currently an executive director and a member of executive committee of China Shanshui Cement Group Limited ("Shanshui Cement", a company listed on the Hong Kong Stock Exchange with the stock code of 691.HK) since 1 December 2015, the chairman and legal representative of Shandong Shanshui Cement Group Co., Ltd., a wholly owned subsidiary of Shanshui Cement since 3 December 2015, the chief executive officer of Shanshui Cement since 16 December 2015 and a director of Henan Tongli Cement Co., Ltd (a company listed on the Shenzhen Stock Exchange with the stock code of 000885.SZ). Mr. Li graduated from Henan University of Science & Technology (河南科技大學) (formerly known as Luoyang Institute of Agricultural Machinery) (洛陽農機學院) with a bachelor's degree in mechanic engineering in 1982 and Tsinghua University (清華大學) with a master's degree in engineering in 1988. Mr. Li also holds qualifications of "Senior Engineer" and "Senior Accountant".

Mr. Yang Yongzheng (楊勇正), male, aged 47, is a non-executive Director of the Company and a member of the Nomination Committee. Mr. Yang was re-designated from an executive director to a non-executive Director of the Company on 3 December 2015. Before that, Mr. Yang was an executive Director of the Company from 11 May 2013 to 2 December 2015, the Chief Operating Officer of the Company from 1 October 2013 to 2 December 2015, a member of the Nomination Committee of the Board, and general manager of Tianrui Cement from 2012 to 2 December 2015. He has extensive experience in the cement industry and is primarily responsible for the daily production and operation of the Company and its subsidiaries (collectively the "Group"). Mr. Yang joined the Group in 2004, and has served as the deputy general manager of Shangqiu Tianrui Cement Company Limited (商丘天瑞水泥有限公司) and Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司), the general manager of Yingkou Tianrui Cement Company

Limited (營口天瑞水泥有限公司) and the chairman and general manager of Liaoyang Tianrui Cement Company Limited (遼陽天瑞水泥有限公司) ever since. Mr. Yang is currently a director of Shandong Shanshui Cement Group Co., Ltd., a wholly-owned subsidiary of Shanshui Cement since 3 December 2015. Mr. Yang obtained his bachelor degree in Petroleum and Engineering from Henan University in 1991 and obtained his EMBA from Peking University in 2012. In June 2012, Mr. Yang was awarded "Advanced Worker in the Mining Industry and Building Material Industry of Small and Medium Enterprises in Liaoning Province" (遼寧省中小企業礦業建材行業先進工作者). Mr. Yang obtained the title of "Senior Economist" in December 2013.

Independent non-executive Directors

Mr. Wang Ping (王平), male, aged 45, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee.

Mr. Wang has nearly 15 years of experience in corporate finance, audit, accounting and taxation. He was an executive director and chief financial officer of China First Capital Group Limited (formerly known as China Vehicle Components Technology Holdings Limited), a company listed on the Stock Exchange (stock code:1269) from April 2014 to December 2015 and March 2012 to December 2015 respectively. In December 2010, Mr. Wang joined Guang Da (China) Automotive Components Holdings Limited, a subsidiary of China Vehicle Components Technology Holdings Limited as a senior vice president, prior of that, Mr. Wang Ping worked for EV Capital Pte Ltd., a financial advisory and consulting firm focusing on initial public offerings, capital raising and private equity investments, from May 2007 to March 2010 as vice president and subsequently as director in May 2008. From February 2004 to March 2007, he served as chief financial officer for China Jishan Holdings Limited, the shares of which are listed on the main board of Singapore Stock Exchange. From September 1999 to August 2002, he served as a senior accountant and subsequently a manager for audit department of Deloitte Touche Tohmatsu CPA Ltd. Mr. Wang Ping has been serving as an independent non-executive director of China Hangking Holdings Limited (Stock Code: 3788), a company listed on the Stock Exchange since February 2011, an independent non-executive director of Chongyi Zhangyuan Tungsten Co., Ltd. which is listed on the Shenzhen Stock Exchange since November 2010, an independent non-executive director of Shenzhen Fuanna Bedding and Furnishing Co. Ltd., a company listed on the Shenzhen Stock Exchange since 12 December 2013, an independent non-executive director of Jia Yao Holdings Limited (Stock Code: 1626), a company listed on the Stock Exchange since June 2014 and an independent non-executive director of Shihua Development Company Limited (Stock Code: 485), a company listed on the Stock Exchange since July 2014 and an independent non-executive director of Sichuan CRUN Co., Ltd. which is listed on the Shenzhen Stock Exchange since March 2016. Mr. Wang Ping graduated from Nanjing University and obtained a Master's Degree in Business Administration from Lingnan (University) College of Sun Yat-Sen University in 2004. He is a member of the Chinese Institute of Certified Public Accountants.

Mr. Kong Xiangzhong (孔祥忠), male, aged 61, is an independent non-executive Director, the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee. Mr. Kong was appointed as an independent non-executive Director on 24 December 2012 and was re-elected as the independent non-executive Director on 26 April 2013 and 2 June 2015.

Mr. Kong currently serves as the vice chairman and secretary of China Cement Association. He is a senior engineer and an expert entitled to special allowance from the State Council. Mr. Kong was appointed as an independent non-executive Director of Jilin Guanghua Holding Group Co., Ltd. (Stock Code: 000546), a company listed on Shenzhen Stock Exchange in 2012. Mr. Kong graduated from Inorganic Materials Department of Shandong Building Materials Industry Institute (山東建築材料工業學院) in 1982. He has long engaged in cement technology research and development, engineering design and technical management, and held various positions including the deputy office

head of Hefei Cement Research and Design Institute, director of the cement grinding department and chief engineer of Hefei Cement Research and Design Institute. Mr. Kong has also participated in and led many projects at national, provincial and ministry levels. He has served as the chief person in charge of design and engineering of some projects and a responsible person for a project financed by the World Bank.

Mr. Du Xiaotang (杜曉堂), male, aged 42, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Du was appointed as an independent non-executive Director on 11 June 2014 and was re-elected as an independent non-executive Director on 2 June 2015.

Mr. Du is currently a department managing director of China Everbright Limited (Stock Code: 165), a company listed on the Hong Kong Stock Exchange, since 2014. Mr. Du is also currently an independent non-executive director of Shanghai Inoherb Cosmetics Co., Ltd (上海相宜本草化妝品股份有限公司) since 2011 and an independent non-executive director of Jiangsu Jinshan Environmental Protection Co., Ltd (江蘇金山環保股份有限公司) since 2012. Mr. Du was a teacher at Henan University (河南大學) between 1996 and 2002, and was an associate and then a partner with Grandall Law Firm (國浩律師事務所) (a PRC law firm) between 2003 and 2013. Mr. Du's working experience mainly covers corporate finance, capital market, private equity, merger and acquisitions and legal compliance advisory to listed companies, securities firms and mining companies. Mr. Du obtained his bachelor degree in education and master degree in law from Henan University (河南大學) in 1996 and 2002 respectively, and doctorate degree in economics from Fudan University (復旦大學) in 2005. Mr. Du is a qualified PRC lawyer.

Senior Management

Mr. Wu Likang (吳黎康), male, aged 49, is the general manager of our Group. Mr. Wu joined our Group on 14 December 2015 and was appointed as the general manager of our Group. He has extensive experience in the cement industry and is primarily responsible for the daily production and operation of our Group (the Company and its subsidiaries are collectively referred to as our "Group"). Before joining our Group, Mr. Wu was an assistant to the general manager in Conch Group (海螺集團) from December 1986 to April 2007, the general manager of Prosperity Cement (Hong Kong) (香港昌興水泥) from July 2007 to July 2012, and the executive director of Prosperity International Holdings (H.K.) Limited from August 2012 to December 2015. Mr. Wu graduated from Luoyang Institute of Building Materials Industry (洛陽建專) in 1986, majoring in cement engineering. He has the title of "Engineer".

Mr. Luo Jiannong (羅建農), male, aged 39, is an executive deputy general manager of our Group. Mr. Luo joined our Group on 25 February 2016 and was appointed as an executive deputy general manager of our Group. He is mainly responsible for infrastructure management and system establishment, and assisting the general manager with his daily routine. Before joining our Group, he served as the director of Ningguo Cement Plant of Conch Group from July 1995 to April 2007 and the general manager of TCC Yunan Kungang & K. Wah Cement (台泥水泥雲南昆鋼嘉華水泥) from May 2007 to June 2015. Mr. Luo graduated from Anhui Business School (安徽省商業學校) in July 1995, majoring in financial accounting. He has the title of "Accountant".

Mr. Xu Wuxue (徐武學), male, aged 40, is the Chief Financial Officer of our Company and the Financial Controller of our Group. Details of Mr. Xu's profile is set out in the section headed "Directors" above.

Mr. Zhao Huibin (趙惠斌), male, aged 59, is a deputy general manager of our Group. He has over 30 years of experience in the cement industry and is primarily responsible for assisting the general manager to manage the market development, sales management, primary assessment of development projects and progress coordination. Mr. Zhao joined our Group in 2002 and has served as deputy general manager of Tianrui Cement. He was also the manager of the Development Department of Tianrui Cement and was responsible for preparation of construction projects. Mr. Zhao obtained his master's degree from Macau University of Science and Technology (澳門科技大學) in 2008. Mr. Zhao holds a qualification of "Senior Engineer" and was awarded 2003 Excellent Entrepreneur in National Building Material Industry (2003年度全國建材行業優秀企業家) in September 2003.

Mr. Jiang Jingdong (江敬東), male, aged 47, is a deputy general manager of our Group. Mr. Jiang joined our Group on 25 February 2016 and was appointed as the deputy general manager of our Group. He is primarily responsible for production organization, balance of materials, benchmarking management, safety and environmental protection, equipment operation and quality management. Before joining our Group, he served as the manager of Equipment Department in TCC. Mr. Jiang graduated from Mechanics College of Hohai University (河海大學機械學院) in July 1989, majoring in mechanics. He has the title of "Engineer".

Mr. Gao Yunhong (高運紅), male, aged 45, is a deputy general manager of our Group. He has extensive experience in the cement industry and is primarily responsible for the sales of the Group. Mr. Gao joined the Group in 2005 and served as the deputy general manager of Ruzhou Cement, Zhengzhou Cement and Guangshan Cement (光山水泥) successively. He graduated from the PLA Information Engineering University, majoring in computer science and technology, in 2008. In the same year, Mr. Gao was awarded as "Model Worker of Zhengzhou City" and "60th Anniversary of the Founding of PRC Henan Province Excellent Entrepreneur in Building Material Industry (建國60周年河南省建材工業優秀企業家)".

Mr. Jing Xianyu (井獻玉) (formerly known as Jing Xianyu (井現於)), male, aged 51, is a deputy general manager of our Group. He has extensive experience in the cement industry and is primarily responsible for the management guidance of the Dalian and Tianjin companies. Mr. Jing joined our Group in 2000 and has worked as general manager of Weihui Cement, general manager of Yuzhou Cement, chairman of Zhengzhou Cement (Xingyang) and chairman of Zhengzhou Tianrui ever since. He has been deputy general manager and executive deputy general manager of Tianrui Cement from February 2008 to 2012 and from 25 February 2012 to 2016 respectively. Mr. Jing obtained his executive MBA degree from Peking University (北京大學) in 2008. Mr. Jing was recognized as "Outstanding Leader of Quality Management of National Building Material Industry (全國建材行業品質管制卓越領導者)" in July 2008 and was named "60th Anniversary of the Founding of PRC Henan Province Meritorious Entrepreneur (建國60周年河南省建材工業功勛企業家)" in September 2009.

Mr. Guo Zhiwei (郭志偉), male, aged 44, is a deputy general manager of our Group and responsible for the production operation of the Weihui companies. He has 15 years experience in the cement industry. Mr. Guo joined our Group in 2000 and has served as deputy general manager and general manager of Ruzhou Cement and general manager of Zhengzhou Cement (Xingyang) ever since. From March 2007 to January 2012, he served as general manager assistant, deputy general manager and general manager of Tianrui Cement consecutively. Mr. Guo obtained his master's degree in materials engineering from Zhengzhou University (鄭州大學) in 2006 and his executive MBA degree from Peking University (北京大學) in 2010. He holds qualifications of "Engineer" and "Senior Economist". Mr. Guo was recognized as "Outstanding Leader of Quality Authentication Activity of National Building Material Industry (全國建材工業質量認證活動卓越領導者)" in July 2010 by China Building Material Council (中國建築材料聯合會). He obtained the "Pingdingshan City May 1 Working Award (平頂山市五一勞動獎章)" in April 2004 and was named as "Model Worker of Pingdingshan City (平頂山市勞動模範)" in April 2006. In September 2007, Mr. Guo was awarded "Model Worker in National Building Material Industry (全國建材行業勞動模範榮譽稱號)".

Mr. Li Jiangming (李江銘), male, aged 38, is a vice general manager of capital operation of the Group and a chief representative for Hong Kong business. Details of Mr. Li's profile is set out in the section headed "Directors" above.

Mr. Lv Xing (呂行), male, aged 37, is the deputy financial controller of our Company and a deputy chief accountant of our Group. Mr. Lv joined the Company as a deputy chief accountant in 2012 and was appointed as the deputy financial controller of our Company on 1 October 2013, and is primarily responsible for the review and analyzing of financial reports, finance and mergers and acquisitions business. Mr. Lv has extensive experience in financing. He served as an assistant auditor, senior auditor and an audit manager in Deloitte Touche Tohmatsu since 2001 prior to joining the Company. Mr. Lv graduated from Beijing University of Industry and Commerce (北京工商大學) with bachelor's degree in economics in 2001. Mr. Lv holds the certificate of "Certified Public Accountant".

Ms. An Jiamin (安嘉敏), female, aged 62, is a deputy chief accountant of our Group. Ms. An joined the Company as a deputy chief accountant in 2011 and is primarily responsible for cost management and internal control of the Group. Ms. An has extensive experience in financing. She served as the head of division of cost under finance department of Luoyang Mining Machinery Plant (洛陽礦山機器廠), deputy head of finance department of Luoyang Heavy Casting and Forging Plant (洛陽重型鑄鍛廠), and head of the general conservation office of Citic Heavy Industries Co., Ltd prior to joining the Company. Ms. An graduated from Mechanical and Electrical Institute (瀋陽機電學院) of Shenyang, majoring in industrial accounting. Ms. An holds a qualification of"Senior Accountant".

Joint Company Secretaries

Mr. Li Jiangming (李江銘), male, aged 38, was appointed as the joint company secretary of the Company on 1 March 2013 and was appointed as authorized representative of the Company on 10 September 2015. Details of Mr. Li's profile is set out in the section headed "Directors" above.

Mr. Yu Chunliang (喻春良), male, aged 46, was appointed as one of the joint company secretaries of our Company on 9 December 2011 and ceased to be authorized representative of the Company on 10 September 2015. Mr. Yu joined our Group in 2005 as deputy head of the general office of Tianrui Cement. He was later appointed as deputy head of the human resources department of Tianrui Cement. He was then appointed as head of the administrative office and head of the board office of Tianrui Cement. Prior to joining our Group, he was the secretary of the disciplinary committee of Pingdingshan Xingfeng Group Cement Co., Ltd. (平頂山星峰集團水泥有限公司). Mr. Yu was appointed as the joint company secretary of Shangshui Cement since 2 February 2016. Mr. Yu obtained his bachelor's degree in arts from Xinyang Normal University (信陽師範學院) in 1992 and his postgraduate degree in economic management from the Party School of CPC of Henan province (中共河南省委黨校) in 2007. He holds the qualifications of "Ideological and political work of senior professional titles" (高級政工師) and "National Second Level Corporate Human Resources Manager".

Ms. Kwong Yin Ping Yvonne (鄺燕萍), female, aged 60, was appointed as one of the joint company secretaries of our Company on 16 January 2013 and was re-designated from alternate authorized representative to authorized representative of the Company on 4 December 2015. Ms. Kwong holds a Degree in Accountancy from the Hong Kong Polytechnic University (香港理工大學) and is a Fellow of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

Report of the Directors

The Board hereby presents this Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015 (the "Consolidated Financial Statements").

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 7 February 2011 as an exempted company with limited liability. The Group's operations are substantially conducted through its subsidiaries in the PRC. The Group is principally engaged in the excavation of limestone, production, sale and distribution of clinker and cement. Details of the principal subsidiaries of the Group during the year ended 31 December 2015 are set out in Note 52 to the Consolidated Financial Statements.

Details of the business review of the Company are set out in the section of "Management Discussion and Analysis — Business Review" of this annual report which forms part of the directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in this Annual Report.

The Board did not propose the declaration of final dividend for the year ended 31 December 2015 (2014: final dividend of RMB0.06 per share and special dividend of RMB0.15 per share).

5 YEAR FINANCIAL SUMMARY

A summary of our results and the assets and liabilities for the current financial year and for the past five financial years, as extracted from the Group's audited consolidated financial statements, is set out in the section headed "5 year Financial Summary" of this Annual Report which forms part of the directors' report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in Note 16 to the Consolidated Financial Statements of this Annual Report.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings are set out in Notes 31, 32, 35 and 36 to the Consolidated Financial Statements of this Annual Report.

SHARE CAPITAL

There is no change in the share capital of the Company during the year ended 31 December 2015.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity of this Annual Report.

DISTRIBUTABLE RESERVES OF THE GROUP

The Group's reserves available for distribution to shareholders as at 31 December 2015 amounted to RMB5,085.0 million (31 December 2014: RMB4,023.2 million).

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of our Directors, our Company has maintained the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as at the date of this Annual Report.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive right under the Company's articles of association or applicable laws of the Cayman Islands where the Company was incorporated.

DIRECTORS

The Directors of the Company as at 31 December 2015 were:

Chairman and Non-executive Director

Mr. Li Liufa

Executive Directors

Mr. Xu Wuxue
Mr. Li Jiangming

Non-executive Directors

Mr. Li Heping (appointed on 4 December 2015)
Mr. Yang Yongzheng (re-designated from executive director to non-executive director on 3 December 2015)

Independent Non-executive Directors

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

DIRECTORS' PROFILES

Details of the Directors' profiles are set out in the section headed "Profiles of Directors and Senior Management" of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with our Company for a term of three years with effect from their respective date of appointment or re-appointment unless terminated by a not less than three months notice in writing served by either the executive Director or our Company. Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with the Company for a term of three years (as for Chairman Li, a non-executive Director) and one year (as for Mr. Li Heping and Mr. Yang Yongzheng (other non-executive Directors) and all independent non-executive Directors), respectively, with effect from the dates of their respective appointment or re-appointment. The appointment is subject to the provisions of retirement and rotation of directors under the Articles of Association.

None of the Directors who would offer themselves for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

The Company has arranged appropriate insurance cover for the directors of the Company in respect of legal action against the directors during the year of 2015.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Du Xiaotang, the confirmation of their respective independence pursuant to rule 3.13 of the Listing Rules. We consider that each of our independent non-executive Directors has been independent during their respective appointment period in 2015 and remains independent as at the date of this Annual Report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, 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) (2)	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 (煜闊有限公司) ("Yu Kuo") by virtue of Yu Kuo being ultimately controlled by Mr. Li Liufa through Tianrui Group Company Limited (天瑞集團股份有限公司), ("Tianrui Group Company"), Tianrui (International) Holding Company Limited (天瑞(國際)控股有限公司) ("Tianrui International"), Holy Eagle Company Limited (神鷹有限公司) and Yu Qi Company Limited ("Yu Qi") (details of which is set out in the "Corporate Structure" of this annual report).

(2) On 16 January 2015, Yu Kuo has executed the relevant documentation to create a charge ("Share Charge") over 223,332,245 shares in the share capital of the Company in favour of a financial institution nominated by certain institutional lenders, as security for a loan advanced by the Lenders to Yu Kuo and/or its nominees. The Share Charge has been released on 18 December 2015.

Save as disclosed above, as at 31 December 2015, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period ended 31 December 2015 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. The Company's proposed issue of consideration shares to a party nominated

by Tianrui Group Company (an entity controlled by Chairman Li), for the proposed acquisition of Yongan Cement, has been terminated on 24 March 2016. For further details, please refer to the section of "Major Acquisitions and Disposals" in the Management Discussion and Analysis section and the announcement dated 24 March 2016.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the period ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities. The Company's proposed issue of consideration shares for the proposed acquisition of Yongan Cement has been terminated on 24 March 2016. For further details, please refer to the section of "Major Acquisitions and Disposals" in the Management Discussion and Analysis section and the announcement dated 24 March 2016.

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

Reference is made to the circular ("Circular") of the Company dated 31 October 2014 in relation to the amended deed of non-competition ("Amended Non-competition Deed") which has been approved in the extraordinary general meeting of the Company on 17 November 2014 ("Effective Date"). Unless stated otherwise, capitalized terms used herein shall have the same meaning as those defined in the Circular.

Under the Amended Non-competition Deed, the Controlling Shareholders are allowed to pursue New Business Opportunity after they have fulfilled the notification and best-effort requirements as set out in the Amended Non-competition Deed. Further, the Controlling Shareholders have undertaken to, inter alia, grant the Company the Option to acquire the New Business Opportunity upon the terms which are not less favourable than the acquisition in the first instance. The independent board committee should periodically review the New Business Opportunities, in order to determine whether to exercise the Option and disclose the basis for the decision.

The Board (including the independent non-executive directors) have duly reviewed the competing business owned by Tianrui Group Company (the controlling shareholder) pursuant to the Amended Non-competition Deed:

(1) Ruiping Shilong Pingdingshan

Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司) ("Ruiping Shilong") is a limited liability company incorporated in the PRC, of which 40% is owned by Tianrui Cement (the Company's wholly-owned subsidiary) and 60% is owned by Ruiping Power. Ruiping Power is held by Tianrui Foundry (indirectly and jointly wholly-owned by Chairman Li and Mrs. Li (Chairman Li's spouse)) as to 40% and by an Independent Third Party as to 60%.

Ruiping Shilong is engaged in manufacturing and selling clinker in certain areas of Henan province, so its business competes with the Company's clinker operation in those areas.

As of 31 December 2015, the Directors held the view that the Group is financially and operationally independent from Ruiping Shilong. The Controlling Shareholders currently have no intention to inject their indirect interest in Ruiping Shilong into the Group.

(2) Shanshui Cement

As of 31 December 2015, Tianrui (International) Holding Company Limited, a wholly-owned subsidiary of Tianrui Group Company which is owned as to 70% by Chairman Li, has acquired a total of 951,462,000 shares of China Shanshui Cement Group Limited (691.HK) ("Shanshui Cement", a company which is listed on the Main Board of the Stock Exchange of Hong Kong Limited) representing approximately 28.16% issued share capital of Shanshui Cement. Shanshui Cement is engaged in production of clinker and cement in China.

As of 31 December 2015, the Directors held the view that the Group is financially and operationally independent from Shanshui Cement. The Company has an option to acquire the shares in Shanshui Cement pursuant to the Non-competition Deed, but has decided not to exercise the said option at this stage after considering, among others, the recent financial performance of Shanshui Cement.

(3) Tongli Cement

As of 31 December 2015, Tianrui Group Company Limited (天瑞集團股份有限公司) which is owned as to 70% by Chairman Li has acquired a total of 71,365,588 shares ("Tongli Shares") of Henan Tongli Cement Co., Ltd. (000885) ("Tongli Cement", a company which is listed on the Shenzhen Stock Exchange), representing approximately 15.03% equity interests of Tongli Cement as of 31 December 2015. Tongli Cement is engaged in, among others, the manufacture and sale of cement in China.

As of 31 December 2015, the Directors held the view that the Group is financially and operationally independent from Tongli Cement. The Company has an option to acquire the shares in Tongli Cement pursuant to the Non-competition Deed, but has decided not to exercise the said option at this stage after considering, among others, the recent financial performance of Tongli Cement.

(4) Xindeng Cement

As of 31 December 2015, Tianrui Group Company (owned as to 70% by Chairman Li) owns 55% equity interests in Tianrui Xindeng Zhengzhou Cement Company Limited (天瑞新登鄭州水泥有限公司) (formerly known as Guotou Xindeng Zhengzhou Cement Company Limited (國投新登鄭州水泥有限公司)) ("Xindeng Cement"), which is principally engaged in, among others, manufacture and sale of cement in Zhengzhou City of Henan Province, PRC.

As of 31 December 2015, the Directors held the view that the Group is financially and operationally independent from Xindeng Cement. The Company has an option to acquire the shares in Xindeng Cement pursuant to the Non-competition Deed, but has decided not to exercise the said option at this stage after considering, among others, the financial position of the Group and Xindeng Cement.

(5) Yongan Cement

On 9 September 2015, the Company entered into the Acquisition Agreement with Tianrui Group Company with respect to the proposed acquisition of 100% equity interest in Henan Yongan Cement Company Limited (河南永安水泥有限責任公司) ("Yongan Cement") which is principally engaged in manufacture and sale of cement in Gongyi City, Henan province, the details of which is set out in the announcement of the Company dated 9 September 2015.

The Acquisition has not been completed as at 31 December 2015. Subsequently and due to the change of market circumstances, the Company and Tianrui Group Company have, on 24 March 2016, mutually agreed to enter into a deed of termination ("Deed of Termination") to terminate the Acquisition Agreement and hence the Acquisition will not proceed. For further details, please refer to the announcement dated 24 March 2016.

COMPETING BUSINESS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in the section headed "Compliance with Non-competition Undertaking" above, none of the Directors or Controlling Shareholders was interested in any business which competes or is likely to compete (directly or indirectly) with the business of the Group during the year ended 31 December 2015.

During the reporting period, the independent non-executive Directors have reviewed the compliance with the Non-competition Deed based on information and confirmation provided by or obtained from the Controlling Shareholders and their respective associates (as defined under the Listing Rules), and were satisfied that the controlling shareholders of the Company, namely, Mr. Li Liufa, Ms. Li Fengluan, Tianrui Group Company Limited, Tianrui (International) Holding Company Limited, Holy Eagle Company Limited, Yu Kuo Company Limited and Yu Qi Company Limited (collectively, the "Controlling Shareholders") and their respective associates have complied with the provisions of the Amended Deed of Non-competition Undertaking entered into between the Company and the Controlling Shareholders on 16 October 2014 (the "Amended Deed of Non-competition Undertaking").

DIRECTORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2015, save as disclosed in "Compliance with Non-competition Undertaking", "connected transaction and continuing connected transactions" or otherwise in this annual report, 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 or Controlling Shareholder of the Company had a material interest, whether directly or indirectly subsisted at the closing or any time during the year.

DIRECTORS' REMUNERATION

Our Directors' fees are subject to shareholders' approval at general meetings. Other emoluments, bonus and benefits are proposed by our Remuneration Committee to the Board and determined with reference to the prevailing market conditions, Directors' duties, responsibilities and our performance and results.

The details of the emoluments paid to the five highest paid individuals among Directors and Senior Management of the Company during the year are set out in Note 12 and Note 13 to the Financial Statements.

RETIREMENT SCHEMES

The employees of the Group members in the PRC are members of a state-managed employee benefit plans operated by the PRC government such as pension funds, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing funds. The Group is required to contribute a specified percentage of its payroll costs to the employee benefit plans to fund the benefits

The Group's contributions to the employee benefit plans for the year ended 31 December 2015 were RMB30.1 million. Particulars of these plans are set out in Note 45 to the Consolidated Financial Statement of this Annual Report.

MANAGEMENT CONTRACTS

Other than employment with employees of the Company, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed with any individual, company or body corporate during the year.

CHANGE OF HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

With effect from 14 March 2016, the Company's headquarters and principal place of business in the PRC has been changed from "No. 63 Guangcheng Road East, Ruzhou City, Henan Province, PRC" to "21st Floor, Hailian Building, Shang Wu Wai Huan Road No. 20, Zheng Dong Xin District, Zhengzhou City, Henan Province, PRC".

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

As at 31 December 2015, to the best knowledge of the Directors and the senior management of the Company, the persons who had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO were as follows:

Name	Capacity/Nature of interests	Total number of shares	Approximate percentage of shareholding (%)
Yu Kuo	Beneficial owner/Long position[1]	950,000,000	39.57
Tianrui Group	Interest of corporation controlled by the substantial shareholder/Long position[1]	950,000,000	39.57
Tianrui International	Interest of corporation controlled by the substantial shareholder/Long position[1]	950,000,000	39.57
Holy Eagle	Interest of corporation controlled by the substantial shareholder/Long position[1]	950,000,000	39.57
Yu Qi	Interest of corporation controlled by the substantial shareholder/Long position[1]	950,000,000	39.57
Mr. Li Liufa	Interest of corporation controlled by the director/Long position[1]	950,000,000	39.57
Ms. Li Fengluan	Interest of corporation controlled by the substantial shareholder/Long position[1]	950,000,000	39.57
Wan Qi Company Limited ("Wan Qi")	Beneficial owner/Long position[2]	689,400,000	28.71
	Short position	30,612,245	1.28
Mr. Tang Ming Chien	Interest of corporation controlled by the substantial shareholder/Long position[2]	689,400,000	28.71
	Short position	30,612,245	1.28
PA Investment Funds SPC — PA Greater China Industrial Opportunities Fund Segregated Portfolio	Beneficial owner/Long position	237,600,000	9.90
Yue Xiu Investment Fund Series Segregated Portfolio Company	Beneficial owner/Long position[3]	123,000,000	5.12
Yue Xiu Asset Management Limited	Investment manager/Long position[3]	123,000,000	5.12

(1) The entire issued share capital of Yu Kuo is legally and beneficially owned by Holy Eagle and Yu Qi, which are legally and beneficially owned by Mr. Li Liufa and Ms. Li Fengluan through Tianrui Group Company Limited and Tianrui (International) Holding Company Limited (see "CORPORATE STRUCTURE" of this annual report for details). Therefore, Mr. Li Liufa and Ms. Li Fengluan are deemed to be interested in the Shares held by Yu Kuo. On 16 January 2015, Yu Kuo has executed the relevant documentation to create a charge ("Share Charge") over 223,332,245 shares in the share capital of the Company in favour of a financial institution nominated by certain institutional lenders, as security for a loan advanced by the Lenders to Yu Kuo and/or its nominees. The Share Charge has been released on 18 December 2015.

(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) Yue Xiu Asset Management Limited, being the investment manager of Yue Xiu Investment Fund Series Segregated Portfolio Company, is deemed to be interested in the Shares held by Yue Xiu Investment Fund Series Segregated Portfolio Company.

Saved as disclosed above, as at 31 December 2015, no other person has any interest or short position which shall be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE-BASED INCENTIVE SCHEMES

Share Option Scheme

Adoption and Validity Period

The Company has adopted a share option scheme (the "Share Option Scheme") on 12 December 2011 (the "Adoption Date"). The Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the tenth anniversary (i.e. 12 December 2021) of the Adoption Date (the "Scheme Period").

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide person(s) and parties working for the interests of our Group with an opportunity to obtain an equity interest in our Company, thus linking their interests with the interests of our Group and thereby providing them with an incentive to work better for the interests of our Group.

Maximum Options to be Granted

As at the date of the 2015 Annual Report, the total number of Shares issued upon exercise of all Options granted under the Share Option Scheme must not in aggregate exceed 3% of the Shares of the Company (or its subsidiaries) as at the Listing Date (being 72,027,000 shares, representing 3% of the issued shares of the Company as at the date of the 2015 Annual Report).

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.

Unless approved by Shareholders in general meeting at which the relevant Eligible Person and his or her associates abstain from voting in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, the total number of Shares issued and to be issued upon exercise of the Options granted to such Eligible Person (including exercised, cancelled and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue (the "Individual Limit") at such time.

Option Period

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 Option Period expires, the employment of the holder ceases or where the holder is no longer a member of the Group.

Eligible Person

The Directors may at their absolute discretion grant Options to all Directors (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to our Company or our 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 our Company or our Group and each of the persons mentioned above is referred to as an "Eligible Person".

Acceptance of Options

The Eligible Person may accept the offer within 21 days from the date of offer (or such other period as may be determined by the Board), provided that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the scheme has been terminated in accordance with its terms.

When the duplicate letter comprising acceptance of the Option is duly signed by the Eligible Person, it should be submitted together with the remittance of HK$1 in favor of our Company, as a consideration for the grant irrespective of the number of Shares in respect of which the Option is accepted.

Subscription Price

The subscription price in respect of any particular Option shall be such price as the Board may at its absolute discretion determine at the time of the grant of the relevant Option (the "Subscription Price"), but in any case the Subscription Price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Date of Grant; and (iii) the nominal value of a Share.

Grant, Vesting, Cancellation and Lapse of Options During 2015

Since the Adoption Date and as at 31 December 2015, no option has been granted, vested or cancelled, or has lapsed under the Share Option Scheme.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2015, save as disclosed below, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of the Listing Rules.

(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 in which Mr. Li Liufa ("Chairman Li") 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.

As disclosed in the circular of the Company dated 25 April 2014 (the "Circular"), the principal terms of the Clinker Supply Framework Agreement entered into by Tianrui Cement (as purchaser) and Ruiping Shilong (as supplier) are: Tianrui Cement will purchase the clinker from Ruiping Shilong according to it own needs. The prices payable by Tianrui Cement for the clinker will be agreed following arm's length negotiations between relevant parties with reference to the prevailing market price of clinker in Pingdingshan, Henan province, with terms no less favorable than those available from independent third parties. For further details, please refer to the paragraph headed "1. Clinker Supply Framework Agreement" on page 8 of the Circular.

As disclosed in the Circular, the principal terms of the "Limestone Supply Framework Agreement" entered into by Ruiping Shilong (as purchaser) and Tianrui Cement (as supplier) are: Tianrui Cement will sell the limestone to Ruiping Shilong according to its own needs. The prices for the limestone will be agreed following arm's length negotiations between relevant parties with reference to the prevailing market price of limestone in Pingdingshan, Henan province, with terms no less favorable than those available from independent third parties. For further details, please refer to the paragraph headed "2. Limestone Supply Framework Agreement" on page 11 of the Circular.

The background and purpose for entering into the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement are: with the continuous development of the Group, it is expected that the demand for clinker, a major intermediate product of cement, will increase. In light of its proximity of the Group, it has been able to provide a stable supply of clinker with low transportation costs over the past years. As such, the Group intended to satisfy its clinker demand by entering into the Clinker Supply Framework Agreement with Ruiping Shilong. In addition, in view of the Group's ability to increase its limestone output and efficiency requirements, both parties intended to enter into the Limestone Supply Framework Agreement for mutual benefits as limestone demand from Ruiping Shilong increased, and Ruiping Shilong is located in the proximity of the Group.

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 year ended 31 December 2015, Tianrui Cement purchased clinker from Ruiping Shilong with transaction value of RMB114,027,000.

For the year ended 31 December 2015, Tianrui Cement sold limestone to Ruiping Shilong with transaction value of RMB8,857,000.

The Board hereby confirms that the auditors' letter relating to the above continuing connected transactions has been submitted to the Stock Exchange pursuant to Rules 14A.56 and 14A.57 of the Listing Rules.

(b) Mutual guarantees

Reference is made to our circular dated 30 October 2015. Unless stated otherwise, capitalized terms used in this paragraph (b) shall have the same meaning as the said circular referred to above.

On 24 September 2015, Tianrui Cement and Tianrui Group Company Limited ("Tianrui Group"), a company controlled by Chairman Li, entered into a framework agreement in relation to the provision of mutual guarantees (the "2015 Framework Agreement"), with a term from 27 November 2015 to 31 December 2017 ("Term"), upon the expiry of the previous term under the 2013 Framework Agreement. The transactions under the Framework Agreement constitute continuing connected transactions under the Listing Rules.

As disclosed in the circular of the Company dated 30 October 2015 (the "Circular of Mutual Guarantees"), according to the 2015 Framework Agreement entered into by Tianrui Cement and Tianrui Group: (a) Tianrui Group, an associate of Chairman Li, has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, for bank loans to be borrowed and/or debentures or corporate bonds to be issued by Tianrui Cement or its subsidiaries ("Tianrui Group Guarantee"); (b) meanwhile, Tianrui Cement has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, for bank loans to be borrowed and/or debentures or corporate bonds to be issued by Tianrui Group or its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business) ("Tianrui Cement Guarantee"). On the same date as the 2015 Framework Agreement, Chairman Li, the ultimate controlling shareholder of Tianrui Cement, entered into the Counter Guarantee Agreement with Tianrui Cement, pursuant to which Chairman Li has agreed to indemnify Tianrui Cement or its subsidiaries by means of the Counter Guarantee for any amount that it would have to pay in accordance with each Tianrui Cement Guarantee under the 2015 Framework Agreement ("Counter Guarantee"). For details on Tianrui Group Guarantee, Tianrui Cement Guarantee and Counter Guarantee, please refer to the paragraph headed "Major Terms of 2015 Framework Agreement and the Transactions Contemplated Thereunder" on page 6 of the Circular of Mutual Guarantees.

The background and purpose for entering into the 2015 Framework Agreement was that: (a) it is common commercial practice in China that the lenders require the provision of guarantees as security for granting loans to borrowers. In particular, for a privately-owned company like Tianrui Cement, the PRC banks oftentimes require the provision of the third-party guarantee for granting a loan; (b) since 2012, Chinese banks have further tightened lending requirements, particularly with respect to lending to those companies with rapid expansion and high leverage; (c) the Group's business is capital-intensive, with a need of financing; (d) with respect to the Tianrui Cement Guarantee, the risks involved in assisting the financing of Tianrui Group are manageable, which is reflected by the provision of indemnity by both Tianrui Group and Chairman Li for any amount payable by Tianrui Cement. For details on the purposes of and reasons for the above transactions, please refer to the paragraph headed "Reasons for and Benefits of the 2015 Framework Agreement" on page 11 of the Circular of Mutual Guarantees.

Pursuant to the 2015 Framework Agreement, the maximum daily balance of Tianrui Cement Guarantee is RMB2,500,000,000 for the period between 27 November 2015 and 31 December 2015, the year ending 31 December 2016 and the year ending 31 December 2017 respectively; while the maximum daily balance of Tianrui Group Guarantee is RMB6,000,000,000 for the period between 27 November 2015 and 31 December 2015, the year ending 31 December 2016 and the year ending 31 December 2017 respectively.

For the period between 27 November 2014 and 26 November 2015, according to the 2015 Framework Agreement and as approved by a special committee, Tianrui Cement (including its subsidiaries) provided guarantees of RMB1,472,000,000 in aggregate to Tianrui Group (including its subsidiaries), while Tianrui Group (including its subsidiaries) provided guarantees of RMB2,244,600,000 in aggregate to Tianrui Cement (including its subsidiaries).

For the period between 27 November 2015 and 31 December 2015, according to the Framework Agreement and as approved by a special committee, the maximum daily balance of the guarantees provided by the Company (including its subsidiaries) to Tianrui Group (including its subsidiaries but excluding the Group) is RMB1,472,000,000; while the maximum daily balance of the guarantees provided by Tianrui Group (including its subsidiaries but excluding the Group) to the Company (including its subsidiaries) is RMB2,000,000,000.

The Board hereby confirms that the auditors' letter relating to the above continuing connected transactions has been submitted to the Stock Exchange pursuant to Rules 14A.56 and 14A.57 of the Listing Rules.

(c) Definitive JV Memorandum

Reference is made to our announcement dated 23 August 2015. Unless stated otherwise, capitalized terms used in this paragraph (c) shall have the same meanings as those used in the announcement referred to above.

On 21 August 2015 (after trading hours), the Company entered into the Definitive JV Memorandum with the JV Partners with respect to the contribution commitment to and the operation of the JV Finance Company whose principal business activity is to integrate internal and external financial resources, strengthen risk control, aggregate idle funds, decrease financing cost, accelerate turnover of capital to increase capital usage efficiency, effectively bring into play the existing financial and capital economies of scale of the Company and Tianrui Group Company so as to cater for the financing needs of the Company and Tianrui Group Company. For further details, please refer to the announcement dated 23 August 2015. The contribution commitment of the JV Partners and Tianrui Cement to the JV Finance Company are RMB195,000,000 and RMB105,000,000 respectively, and the equity interest owned by the JV Partners and Tianrui Cement in the JV Finance Company amounted to 65% and 35% respectively. The JV Partners were connected person of the Company and the entering into the Definitive JV Memorandum constitutes a connected transaction of the Company under the Listing Rules.

The purpose of establishing the JV Finance Company is to integrate internal and external financial resources, strengthen risk control, aggregate idle funds, decrease financing cost, accelerate turnover of capital to increase capital usage efficiency, effectively bring into play the existing financial and capital economies of scale of the Company and Tianrui Group Company so as to cater for the financing needs of the Company and Tianrui Group Company.

The Directors (including independent non-executive Directors) considered that the terms of the Definitive JV Memorandum were determined after arm's length negotiations between the parties, and are entered into in the usual and ordinary course of business of the Group and are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

(d) Acquisition Agreement

Reference is made to our announcement dated 9 September 2015 in relation to the transaction details stated in this paragraph. Unless otherwise specified, capitalized terms used in this paragraph (d) shall have the same meanings as those used in the announcement referred to above.

On 9 September 2015 (after trading hours), the Company and Tianrui Group Company entered into the Acquisition Agreement, pursuant to which Tianrui Group Company conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Shares, which represent 100% equity interest of the Target Company as at the Acquisition Completion, at the consideration of RMB842,016,891, to be settled by the allotment and issue of the Consideration Shares of 520,245,000 new Shares by the Company to Yu Kuo, a wholly-owned subsidiary of Tianrui Group Company, credited as fully paid, at the Issue Price of HK$1.95 per share upon Acquisition Completion. On 24 March 2016, due to change of market circumstances, the Company and Tianrui Group Company have mutually agreed to enter into a deed of termination ("Deed of Termination") to terminate the Acquisition Agreement and hence the Acquisition will not proceed. For further details, please refer to the announcement dated 24 March 2016.

Annual Review by Independent Non-executive Directors and Auditor

Pursuant to the Listing Rules, the above connected transaction and continuing connected transactions have been reviewed by the independent non-executive Directors of our Company, who confirmed that these continuing connected transactions and connected transactions referred to above were entered into:

(1) in the ordinary and usual course of business of the Group, and either on normal commercial terms or on terms no less favorable to us than terms available to or from independent third parties; or

(2) not in the normal and ordinary course of business of the Group, but on commercial terms more favorable to us; and

(3) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in them interests of the shareholders of our Company as a whole.

The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors letter containing their conclusion in respect of the continuing connected transactions as disclosed by the Group above has been submitted to the Stock Exchange in accordance with the Listing Rules.

Related parties transactions

During the year ended 31 December 2015, the Group also engaged in certain related party transactions as disclosed in Note 46 to the Consolidated Financial Statements of this Annual Report. The related party transactions comprise (1) the Group's purchase of clinker from and sale of limestone to Ruiping Shilong which have been approved by the independent shareholders of the Company as set out in the section headed "Connected Transaction and Continuing Connected Transactions — (a) Purchase of Clinker and Sale of Limestone" above; (2) the Group's rental of office from Tianrui Group Company at a consideration of RMB1,800,000 which is a connected transaction fully exempt under Rule 14A.76 of the Listing Rules; (3) provision of guarantees to Tianrui Group Company (and its subsidiaries) which have been approved by the independent shareholders of the Company as set out in the section headed "Connected Transaction and Continuing Connected Transactions — (b) Mutual Guarantees" above; and (4) remuneration to the directors and key management of the Company. Further, the derivative financial assets as set out in the note 24 to the financial statements represent the Options granted by Tianrui Group to the Company with respect to the competing business which has been acquired by Tianrui Group pursuant to the amended deed of non-competition ("Amended Non-competition Deed"), the details of which is set out in the circular of the Company dated 31 October 2014. The Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules during the year under review.

MAJOR CUSTOMERS, SUPPLIERS AND EMPLOYEES

For the current financial year ended 31 December 2015, total sales to our five largest customers accounted for less than 30% of the Group's total sales. Total purchase from our five largest suppliers accounted for less than 30% of the Group's total purchase

Our major customers are real estate developers and concrete manufacturers etc, and major suppliers are raw material suppliers, equipment suppliers and other business partners. It's important to contact a good relationships with customers and suppliers, our group has took measures to strength communication with theirs in order to supply highly-quality productions and services, maintain good relationships in respect of the supply chain and business challenges respectively.

"EMPLOYEES" are set out in the Management Discussion and Analysis section which forms part of the directors' report.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

During the period ended 31 December 2015, save as disclosed in the Corporate Governance Report of this Annual Report, all the code provisions set out in the Code contained in Appendix 14 to the Listing Rules were met by the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

Details of the Company's compliance with the Model Code for Securities Transactions are set out in the Corporate Governance Report of this Annual Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognizes the importance of proper adoption of environmental policies is essential to the attainability of corporate growth. For further details, please refer to the section of "Company Profile — Committed to environment protection and sustainable development" of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

As at 31 December 2015 and up to the date of this report, the Board was unaware of any non-compliance with the relevant laws and regulations that have a significant impact on the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is of the view that the principal risk and uncertainty is the general global economy slowdown which might lead to the PRC market's lesser demand for cement and clinker.

SIGNIFICANT EVENTS SINCE THE END OF FINANCIAL YEAR UNDER REVIEW

On 24 March 2016, the Company and Tianrui Group Company have mutually agreed to enter into a deed of termination ("Deed of Termination") to terminate the Acquisition Agreement and hence the Acquisition will not proceed. For further details, please refer to the announcement dated 24 March 2016.

FUTURE PLAN

In light of the general global economy slowdown which might lead to the PRC market's lesser demand for cement and clinker, the Company will take a cautious approach with respect to production expansion.

AUDITORS

The Consolidated Financial Statements have been audited by Deloitte Touche Tohmatsu ("Deloitte"), who will retire and, being eligible, offer themselves for re-appointment at the forthcoming general meeting.

A resolution to re-appoint Deloitte as our external auditor will be submitted for shareholders' approval at our forthcoming annual general meeting. The Company has engaged Deloitte as its auditor for the past three years.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Our Company is committed to maintaining a high standard of corporate governance. The principle of our 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 2015 to 31 December 2015, our Company had adopted the code provisions set out in Corporate Governance Code contained in Appendix 14 to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code to govern its corporate governance practices. Our Company had been in compliance with all code provisions set out in the Corporate Governance Code throughout the year ended 31 December 2015.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

Our 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 2015.

BOARD OF DIRECTORS

Responsibilities of the Board

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and management performance so as to protect and enhance the interests of the Company and its shareholders. Matters relating to the day-to-day operation of the Group are delegated to management. For the period from 1 January 2015 to 31 December 2015, the Board (among other things) considered and approved the annual budget, results of operations and the reconciliation between them, together with management work report and the annual results for the year ended 31 December 2015, monitored the operation of our Group's key business, and assessed our Group's internal control and financial matters.

Composition of the Board

The Board currently comprises eight Directors, including two executive Directors, being Mr. Xu Wuxue and Mr. Li Jiangming; three non-executive Directors, being Mr. Li Liufa (the Chairman of the Board), Mr. Li Heping and Mr. Yang Yongzheng; and three independent non-executive Directors, being Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Du Xiaotang. Mr. Li Liufa is the Chairman of the Board of the Company. Mr. Li Heping ceased to be the chief executive officer of the Company on 1 December 2015 and the Company is looking for a suitable replacement candidate. Mr. Li Jiangming, the executive Director, is the younger brother of the spouse of Mr. Li Liufa, the Chairman of the Board. The profiles of the Directors are set out in the section headed "Profiles of Directors and Senior Management" in this Annual Report.

Non-executive Directors

As at 31 December 2015, our Company has three non-executive Directors, being Mr. Li Liufa, Mr. Li Heping and Mr. Yang Yongzheng, with a term of three years commencing from 31 December 2014 (as for Mr. Li Liufa) and a term of one year commencing from 4 December 2015 (as for Mr. Li Heping) and from 3 December 2015 (as for Mr. Yang Yongzheng) respectively.

Independent Non-executive Directors

The three independent non-executive directors of the Company are Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Du Xiaotang, with a term for a year with effect from 24 December 2015 for Mr. Wang Ping and Mr. Kong Xiangzhong and with effect from 11 June 2015 for Mr. Du Xiaotang.

Appointment, re-election and removal of Directors

Our Company has established a nomination committee (the "Nomination Committee") with written terms of reference. The Nomination Committee is responsible for formulating the procedures for the appointment and removal of Directors. In selecting proposed Directors, the Nomination Committee considers the integrity, industry achievements and experience, expertise, educational background of candidates and whether they have sufficient time to perform their duties as Directors.

In accordance with Rule A.4 of Appendix 14 of the Hong Kong Listing Rules and article 84 and clause 3 of article 83 of the Articles of Association of our Company, at each annual general meeting one-third of Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Board may from time to time and at any time appoint any person to be a Director, either to fill a casual vacancy on the Board, or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment, and be subject to re-election at such meetings. Any Director appointed by the Board as an addition to the existing Board shall hold office until the next annual general meeting of the Company and shall be eligible for re-election.

In accordance with article 86 of the Articles of Association of our Company, the office of a Director shall be vacated if the Director: (1) resigns his office by notice in writing delivered to our Company at the Office or tendered at a meeting of the Board; (2) becomes of unsound mind or dies; (3) without special leave or absence from the Board, is absent from meetings of the Board for six consecutive months, and his alternate Director, if any, shall not during such period have attended in his stead and the Board resolves that his office be vacated; (4) becomes bankrupt or has a receiving order made against him or suspended payment or compounds with his creditors; (5) is prohibited by law from being a Director; or (6) ceases to be a Director by virtue of the Statutes or is removed from office pursuant to these Articles.

BOARD MEETINGS

The Board conducts meetings on a regular or irregular basis to discuss the overall strategy and operational and financial performance of our Group. During the year ended 31 December 2015, the Board held eight meetings (excluding the three Board meetings held by way of circulation of a written resolution) as required by the operation and development of the Group. The attendance record of each Director is as follows:

Name of Directors	**Attendance/Number of meetings held**
Executive Directors	
Mr. Xu Wuxue	6/8
Mr. Li Jiangming	7/8
Non-executive Directors	
Mr. Li Liufa	2/8
Mr. Li Heping (appointed on 4 December 2015)	0/8
Mr. Yang Yongzheng (re-designated from executive director to non-executive director on 3 December 2015)	8/8 *(note 1)*
Independent Non-executive Directors	
Mr. Kong Xiangzhong	7/8
Mr. Wang Ping	8/8
Mr. Du Xiaotang	8/8

Note 1: Mr. Yang attended the meeting in the capacity as executive director.

As noted above, Mr. Xu Wuxue was absent from two Board meetings; Mr. Li Jiangming was absent from one Board meeting because he had a material interest in the resolutions being considered at that Board meeting and abstained from voting; Mr. Li Liufa was absent from six Board meetings because he had a material interest in the resolutions being considered at three of the Board meetings and abstained from voting; Mr. Kong Xiangzhong was absent from one Board meeting. Mr. Li Heping, the newly appointed Director in this year, was in office with effect from 4 December 2015, and one Board meeting was held from that date to 31 December 2015. As such, Mr. Li Heping, the new Director, was only absent from one Board meeting.

Our Company gives notices of Board meetings of a reasonable period, and the procedures for the Board meetings are in compliance with the Articles of Association of our Company and relevant rules and regulations. Meeting agendas and relevant documents are circulated to all Directors (for some Board meetings in respect which notices and information were not provided to the Board in a timely basis, attention has been brought to each of Directors and waiver from compliance has been obtained) in a timely manner. In order to ensure the compliance with the procedures for the Board meetings and all applicable rules and regulations, all Directors have full and timely access to all relevant information and may request the opinions and services of our joint company secretaries. Upon making a request to the Board, all Directors may seek independent professional opinions to discharge their duties at the expense of our Company.

The joint company secretaries shall keep minutes of Board meetings which shall be available for inspection by Directors and the auditors of our Company.

Our Company held a meeting attended by the chairman of the Board and non-executive Directors (including independent non-executive Directors) during the period in compliance with requirements under Rule A.2.7 of Appendix 14 of the Listing Rules to discuss and consider duties and roles of the Board and its relevant members as well as their performance during the reporting period.

GENERAL MEETING

Our Company held two general meetings, being the annual general meeting and the extraordinary general meeting, for the period from 1 January 2015 to 31 December 2015. The attendance record of Directors is as follows:

List of Directors	Attendance/Number of meetings held
Executive Directors	
Mr. Xu Wuxue	1/2
Mr. Li Jiangming	2/2
Non-executive Directors	
Mr. Li Liufa	1/2
Mr. Li Heping	0/2
Mr. Yang Yongzheng (re-designated from executive director to non-executive director on 3 December 2015)	2/2 *(note 1)*
Independent Non-executive Directors	
Mr. Kong Xiangzhong	2/2
Mr. Wang Ping	2/2
Mr. Du Xiaotang	1/2

Note 1: Mr. Yang attended the meeting in the capacity as executive director.

As noted above: Mr. Xu Wuxue was absent from one general meeting. As Yu Kuo Company Limited, which held a total of 39.57% shares of our Company and was ultimately owned by Chairman Li, was a connected person of our Company and had material interests in the resolution to be passed at the extraordinary general meeting, Chairman Li and parties acting in concert with him holding 39.57% shares of our Company abstained from voting and Chairman Li only attended one general meeting; as Mr. Li Heping was appointed as non-executive Director on 4 December 2015 and no general meeting was held since then in this year, there was no record of Mr. Li Heping attending general meetings.

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions performed by the Board of Directors include the following:

(a) Formulate and review the corporate governance policy and practice of the Company;

(b) Review and monitor the training and continuous professional development of Directors and the senior management;

(c) Review and monitor the policy and practice of the Company in compliance with laws and regulatory requirements;

(d) Review the compliance with the Code of Corporate Governance by the Company and the disclosure in the Corporate Governance Report.

BOARD DIVERSITY POLICY

The Board adopt the following board diversity policy:

In order to achieve a sustainable and balanced development, the Company has realized it is very important to enhance diversity of the Board as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All the appointments made by the Board will be based on meritocracy, with the benefit to the Board made by the board diversity policy. Selection of Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the specific demand for talents of the various stages in our business development and strategic planning.

The composition of the Board (including gender, age, educational background, and professional experience) has been disclosed in the "Profiles of Directors and Senior Management".

TRAINING FOR DIRECTORS

The Company is obliged to make arrangements for training courses (including the provision of information relating to the Group) in relation to the roles, functions and responsibilities of the Directors and provide the relevant expenditure so that the Directors are able to update or supplement their knowledge to ensure their continuous contribution to the Board of Directors.

For the year ended 31 December 2015, the Directors had respectively accepted and learnt the directors' responsibilities, rights and obligations amended and prepared by the secretariat of our Company based on the Listing Rules. They were also provided with information about the Group's structure, business and operations by the joint company secretaries upon commencement of office to enhance their understanding on the Group. In addition, during the annual general meeting convened on 2 June 2015, our Company invited the Hong Kong legal advisor (Wilson Sonsini Goodrich & Rosati) to arrange a three-hour training with a focus on "Continuing obligations of the Hong Kong companies listed on main board and its directors after listing" for the Directors and senior management. The participated Directors were Mr. Li Liufa, Mr. Yang Yongzheng, Mr. Xu Wuxue, Mr. Li Jiangming, Mr. Du Xiaotang, Mr. Kong Xiangzhong and Mr. Wang Ping. Mr. Wang Ping, Mr. Du Xiaotang and Mr. Kong Xiangzhong also participated in trainings for senior management of listed companies held by the Shenzhen Stock Exchange.

INTERNAL CONTROL

The Board of Directors conducted an annual review on the internal control system of the Company and its subsidiaries through the Audit Committee, including the effectiveness of all relevant finances, operations, compliance control and risk management, and no material problem had been identified.

BOARD COMMITTEES

There is an audit committee, a nomination committee and a remuneration committee under the Board (collectively referred to as the "Board Committees"). The Board Committees have been provided with sufficient resources to discharge their duties, and may, upon reasonable request, seek independent professional opinions at the expense of our Company under appropriate circumstances.

Audit Committee

The responsibilities of the Audit Committee are to assist the Board in performing its fiduciary duties relating to accounting, auditing, financial reporting, risk management and internal control of the Company and its subsidiaries (the "Group") and the Group's compliance with the relevant laws and regulations, including, but not limited to, to

assist the Board in supervising (a) the completeness of the financial report of the Company; (b) the Company's compliance with the requirements of laws and regulations; (c) the qualifications and independence of the independent auditor of the Company and its performance of duties; (d) the performance of duties of the internal audit department of the Company; and (e) the design, implementation and supervision of the Company's risk management and internal control system.

The Audit Committee currently comprises three members, being Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Du Xiaotang. Mr. Wang Ping is the chairman of the Audit Committee.

For the period from 1 January 2015 to 31 December 2015, the Company held a total of three Audit Committee meetings, at which it mainly reviewed and approved the annual audit report for 2014 and the interim review report for 2015 issued by Deloitte; discussed and agreed on matters in relation to the addition of risk management duties to the terms of reference of the Audit Committee. Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Du Xiaotang attended those three meetings.

On 14 March 2016, the Audit Committee and the management of our Company discussed and reviewed the audited consolidated financial information of the Group for the year ended 31 December 2015.

Nomination Committee

The responsibilities of the Nomination Committee are to assess the independence of the independent non-executive Directors, review the effectiveness of the Board diversification policy and its execution, assist the Board in dealing with the nomination of members and composition of the Board and to make recommendations on appointment and removal of Directors to the Board. The Nomination Committee comprises three members, being Mr. Kong Xiangzhong, Mr. Yang Yongzheng and Mr. Wang Ping. Mr. Kong Xiangzhong is the chairman of the Nomination Committee.

For the period from 1 January 2015 to 31 December 2015, the Company held a total of two Nomination Committee meetings, at which it mainly reviewed the structure, number of members and composition (including skills, knowledge and experience) of the Board, assessed the independence of the independent non-executive Directors and discussed the retirement by rotation and re-election of each Director and the relevant matters of the nomination resolution on new Director. Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Yang Yongzheng attended those two meetings.

Remuneration Committee

The responsibilities of the Remuneration Committee are to make recommendations to the Board as to the overall remuneration policy and structure of all Directors and senior management of the Group, to review individual performance-based remuneration and to ensure no Director participates in the determination of his own remuneration. The Remuneration Committee has adopted the practice under the code provision B.1.2(c)(i) to recommend the remuneration packages of selected executive Directors and senior management to the Board. The Remuneration Committee comprises three members, being Mr. Du Xiaotang, Mr. Kong Xiangzhong and Mr. Xu Wuxue. Mr. Du Xiaotang is the chairman of the Remuneration Committee.

For the period from 1 January 2015 to 31 December 2015, the Company held a total of one Remuneration Committee meeting, at which it mainly discussed and approved the overall remuneration policy and structure of all Directors and senior management of the Group and reviewed the remuneration payments of Directors and senior management for 2014. Mr. Du Xiaotang, Mr. Kong Xiangzhong and Mr. Xu Wuxue attended such meeting.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration policy of the senior management has been recommended, reviewed and approved by our Remuneration Committee. The remuneration of the senior management whose names appear in the section headed "Profiles of Directors and Senior Management" in this Annual Report for the year ended 31 December 2015 can be classified into two bands: one falls within HK$2,500,000 to HK$3,000,000, the remuneration of the others was below HK$1,000,000.

INDEPENDENT AUDITOR'S APPOINTMENT AND COMPENSATION

The independent auditor of our Company is Deloitte Touche Tohmatsu. For the year ended 31 December 2015, the compensation payable for the statutory audit and non-audit services provided by Deloitte Touche Tohmatsu is as follows:

Services provided by auditors	**Compensation** (RMB million)
Audit of annual report	3
Non-audit services	0.5
Total	3.5

The charges paid for non-audit services set at RMB0.5 million. It is the charges provided for performing agreed procedure on specific financial information to the Company at the request of the Audit Committee.

The Audit Committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the independent auditors, which is subject to the approval by the Board and its shareholders at general meetings of the Company.

The Audit Committee will take into account certain factors including the audit performance, quality and objectivity and independence of the auditors, when assessing the auditors.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors of our Company have confirmed that it is responsible for making balanced, clear and understandable assessment of the consolidated financial statements set out in the annual and interim results. In preparing the financial report for the year ended 31 December 2015, the Directors have selected and applied consistently appropriate accounting policies, have adopted appropriate international financial reporting standards and have made prudent and reasonable judgment and estimates, and have prepared the financial statements on a going concern basis. The statement of the independent auditors of our Company regarding the presentation obligations for and opinions on the financial statements for the year ended 31 December 2015, are set out in the section headed the "Independent Auditors' Report" in this Annual Report.

JOINT COMPANY SECRETARIES

Ms. Kwong Yin Ping Yvonne is a joint company secretary of the Company. Ms. Kwong is the vice president of a corporate service provider in Hong Kong. Mr. Yu Chunliang and Mr. Li Jiangming are the main contact persons for Ms. Kwong in respect of any matters regarding her position as a joint company secretary of the Company. For the details of Mr. Yu Chunliang and Mr. Li Jiangming, please see the section headed "Profiles of Directors and Senior Management".

For the year ended 31 December 2015, Ms. Kwong, Mr. Yu and Mr. Li had respectively attended 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The general meetings of our Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of our Company shall be held in each year. Each general meeting, other than an annual general meeting is referred to as an extraordinary general meeting ("EGM").

According to article 58 of the Articles of Association of our Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of our Company carrying the right of voting at general meetings of our Company shall at all times have the right, by written requisition to the Board or the secretary of our Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by our Company.

According to article 85 of the Articles of Association of our Company, no person other than a Director at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head officer or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. The written notice must include the candidate's biographical details as required by rule 13.51(2) of the Listing Rules. The procedures for a shareholder to propose a candidate for election as a Director have been published on the Company's website.

Shareholders may also at any time make enquires to the Board. All enquiries shall be in writing and send by post to the principal place of business in Hong Kong of our Company or by e-mail to ycl6906@sina.com or liht@tianruigroup.cn for the attention of the joint company secretaries.

INVESTOR RELATIONS

There were no material changes to the Articles of Association of our Company for the period from 1 January 2015 to 31 December 2015. Our Company has been acting in good faith, strictly following and implementing the Listing Rules, timely disclosing true, accurate and complete information that needs to be disclosed, and also timely disclosing information that might materially affect the decision-making of shareholders and other interested parties.

Our senior management is committed to maintaining communication channels with investors to provide them with thorough understanding of our Company and its business and strategies. In this regard, our Company has specially designated a director of investor relations, and has established and maintained proper communication channels for proper communication with investors and information disclosure.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF
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)

We have audited the consolidated financial statements of China Tianrui Group Cement Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 131, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	6, 7	**6,195,093**	8,950,286
Cost of sales		**(4,947,939)**	(6,892,772)
Gross profit		**1,247,154**	2,057,514
Other income and other gains and losses	8	**447,310**	446,756
Gain on fair value change of derivative financial assets	24	**449,569**	—
Distribution and selling expenses		**(334,315)**	(389,954)
Administrative expenses		**(374,468)**	(382,337)
Other expenses		**(92,042)**	(18,027)
Finance costs	9	**(1,030,682)**	(961,199)
Profit before tax		**312,526**	752,753
Income tax expense	10	**(29,021)**	(212,635)
Profit and total comprehensive income for the year	11	**283,505**	540,118
Profit and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**313,079**	564,938
Non-controlling interests		**(29,574)**	(24,820)
		283,505	540,118
		2015 RMB	2014 RMB
Earnings per share			
Basic	14	**0.13**	0.24

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**12,491,514**	12,732,279
Deposits and advances	17	**2,431,208**	2,664,193
Prepaid lease payments	18	**811,594**	824,284
Mining rights	19	**255,406**	267,328
Goodwill	20	**272,311**	272,311
Other intangible assets	21	**6,607**	7,359
Interests in associates	22	**105,271**	—
Derivative financial assets	24	**678,809**	—
Deferred tax assets	38	**115,924**	58,497
		17,168,644	16,826,251
CURRENT ASSETS			
Inventories	23	**832,241**	1,331,028
Trade and other receivables	25	**3,170,116**	2,106,064
Amount due from an associate	27	**508,064**	458,635
Pledged bank balances	28	**4,689,266**	2,968,595
Cash and bank balances	29	**722,311**	973,302
		9,921,998	7,837,624
CURRENT LIABILITIES			
Trade and other payables	30	**4,112,868**	4,813,115
Short term debentures	31	**3,792,019**	2,296,446
Mid-term debentures — due within one year	35	**1,300,000**	700,000
Borrowings — due within one year	32	**4,334,423**	4,825,815
Obligations under finance leases	33	**55,358**	51,652
Tax liabilities		**179,472**	162,863
Financial guarantee contracts	34	**10,637**	9,320
		13,784,777	12,859,211
NET CURRENT LIABILITIES		**(3,862,779)**	(5,021,587)
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,305,865**	11,804,664

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CAPITAL AND RESERVES			
Share capital	41	**19,505**	19,505
Share premium and reserves		**7,450,778**	7,416,455
Equity attributable to owners of the Company		**7,470,283**	7,435,960
Non-controlling interests	52	**(52,222)**	(22,648)
TOTAL EQUITY		**7,418,061**	7,413,312
NON-CURRENT LIABILITIES			
Borrowings — due after one year	32	**155,000**	220,000
Mid-term debentures	35	**2,384,171**	1,792,595
Long-term corporate bonds	36	**3,057,635**	2,029,079
Other payables	37	**8,400**	8,400
Deferred tax liabilities	38	**56,054**	57,997
Deferred income	39	**177,483**	180,854
Obligations under finance leases	33	**28,887**	84,328
Provision for environmental restoration	40	**20,174**	18,099
		5,887,804	4,391,352
		13,305,865	11,804,664

The consolidated financial statements on pages 47 to 131 were approved and authorised for issue by the board of directors on 15 March 2016 and are signed on its behalf by:

DIRECTOR

Xu, Wuxue

DIRECTOR

Li, Jiangming

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company									
	Share Capital RMB'000 (Note 41)	**Share premium** RMB'000	**Capital reserve** RMB'000 (note i)	**Statutory reserve fund** RMB'000 (note ii)	**Other reserves** RMB'000 (note iii)	**Revaluation reserve** RMB'000 (note iv)	**Retained earnings** RMB'000	**Subtotal** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
At 1 January 2014	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 (loss) and total comprehensive income (expense) for the year	—	—	—	—	—	—	564,938	564,938	(24,820)	540,118
Acquisition of subsidiaries *(Note 49)*	—	—	—	—	—	—	—	—	2,150	2,150
Capital injection by non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	3,330	3,330
Transfers	—	—	—	59,123	—	—	(59,123)	—	—	—
Financial guarantee provided to related parties *(Note 34)*	—	—	—	—	(2,787)	—	—	(2,787)	—	(2,787)
At 31 December 2014	19,505	1,275,536	789,990	472,367	823,549	31,768	4,023,245	7,435,960	(22,648)	7,413,312
Profit (loss) and total comprehensive income (expense) for the year	—	—	—	—	—	—	313,079	313,079	(29,574)	283,505
Transfers *(note v)*	—	(1,270,896)	—	17,992	—	—	1,252,904	—	—	—
Dividend distribution	—	—	—	—	—	—	(504,189)	(504,189)	—	(504,189)
Financial guarantee provided to related parties *(Note 34)*	—	—	—	—	(3,807)	—	—	(3,807)	—	(3,807)
Options granted by the shareholder *(Note 24)*	—	—	—	—	229,240	—	—	229,240	—	229,240
At 31 December 2015	19,505	4,640	789,990	490,359	1,048,982	31,768	5,085,039	7,470,283	(52,222)	7,418,061

Note:

i Capital reserve represents the excess of capital injection over the registered capital of Tianrui Group Cement Company Limited ("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 Other reserves mainly comprise: (1) 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 and China Tianrui (Hong Kong) Company Limited and Tianrui Cement and its subsidiaries (collectively referred to as the "Group") on 8 April 2011. On 2 April 2011, 474,526 shares as nil paid was allotted and issued to Yu Kuo Company Limited. 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 recognised in share premium and the resulting difference between the paid-in capital of Tianrui Cement amounting to RMB1,397,135,000 after deducting the nominal value of shares issued to Yu Kuo Company Limited and the share premium amounting to RMB 831,615,000 was recognized in other reserve upon the completion of the corporate reorganization; (2) the fair value of financial guarantee contracts at initial recognition provided to subsidiaries of Tianrui Group Company Limited ("Tianrui Group") as detailed in Note 34 which was considered as deemed distribution to Tianrui Group; (3) the fair value of options at initial recognition granted by Tianrui Group as detailed in Note 24 which was considered as deemed contribution from Tianrui Group.

iv The revaluation reserve represents the revaluation surplus of previously held interests in associates of Tianrui Cement recognised directly in equity when Tianrui Cement acquired additional interests in those entities and obtained control.

v Share premium of the Company about RMB1,270,896,000 was transferred to retained earnings during the year ended 31 December 2015 based on the approval of the Company's board of directors.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Cash flows from operating activities:		
Profit for the year	**283,505**	540,118
Adjustments for:		
Income tax expense recognised in profit or loss	**29,021**	212,635
Release of deferred income	**(8,171)**	(8,074)
Interest on bank deposits	**(132,758)**	(77,239)
Share of profit of an associate	**(271)**	—
Gain on fair value change of derivative financial assets	**(449,569)**	—
Depreciation of property, plant and equipment	**753,541**	722,847
Finance costs recognised in profit or loss	**1,030,682**	961,199
Foreign exchange loss	**46,030**	4,596
Release of financial guarantee liability	**(2,490)**	(2,177)
Release of prepaid lease payments	**18,803**	17,905
Allowances for bad and doubtful debts	**1,519**	26,044
Amortisation of mining rights	**14,501**	14,920
Amortisation of other intangible assets	**752**	867
Gain on disposal of property, plant and equipment	**(3,081)**	(875)
Write-down of inventories	**2,932**	—
Provision for environmental restoration	**2,075**	3,469
Operating cash flows before movements in working capital	**1,587,021**	2,416,235
Movements in working capital		
Decrease in inventories	**495,855**	10,117
Increase in trade and other receivables	**(1,014,717)**	(258,047)
Increase in amount due from an associate	**(49,429)**	(458,635)
Decrease in amount due to an associate	**—**	(31,434)
(Decrease) increase in trade and other payables	**(796,758)**	832,773
(Decrease) increase in discounted bills with recourse	**(34,126)**	735
Cash generated from operations	**187,846**	2,511,744
Income tax paid	**(71,782)**	(173,113)
Net cash from operating activities	**116,064**	2,338,631

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Cash flows from investing activities:			
Interest received		**81,750**	156,016
Capital injection for investment in an associate		**(105,000)**	—
Acquisition of subsidiaries (net)	49	**—**	(40,171)
Payment for acquisition of subsidiaries		**(8,000)**	(14,833)
Purchase of property, plant and equipment		**(389,507)**	(754,577)
Addition of prepaid lease payments		**(5,959)**	(23,771)
Acquisition of mining rights		**(2,579)**	(66,718)
Proceeds from disposal of property, plant and equipment		**5,110**	2,037
Deposits/advances paid to acquisition of businesses		**(438,200)**	(2,121,915)
Deposits/advances refunded/repaid from acquisition of businesses		**618,216**	—
Government grants for prepaid lease payments		**4,800**	4,968
Increase in pledged bank balances		**(1,720,671)**	(827,388)
Repayment of loan receivables		**—**	915,000
Net cash used in investing activities		**(1,960,040)**	(2,771,352)
Cash flows from financing activities			
Interest paid		**(979,191)**	(894,794)
Dividends paid		**(504,189)**	—
Capital injection from non-controlling shareholders of a subsidiary		**—**	3,330
Repayment of borrowings		**(6,103,678)**	(6,357,979)
New borrowings raised		**5,511,839**	6,781,105
Repayment of finance lease obligations		**(59,816)**	(60,060)
Issuance of short-term debentures		**3,795,573**	2,296,446
Issuance of mid-term debentures		**2,136,176**	992,595
Issuance of long-term corporate bonds		**1,026,322**	29,079
Repayment of short-term debentures		**(2,300,000)**	(2,100,000)
Repayment of mid-term debentures		**(944,600)**	(300,000)
Installment payment on acquisition of mining rights		**(14,400)**	—
Net cash from financing activities		**1,592,985**	389,722
Net decrease in cash and cash equivalents		**(250,991)**	(42,999)
Cash and cash equivalents at beginning of year		**973,302**	1,016,301
Cash and cash equivalents at end of the year represented by cash and bank balances		**722,311**	973,302

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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 (See Note 52). Tianrui Group Company Limited ('Tianrui Group'), controlled by Mr. Li Liufa, a non-executive director of the Company, indirectly held 39.57% of shareholding of the Company as at 31 December 2015 and 2014.

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 2015, the Group's current liabilities exceeded its current assets by RMB3,862,779,000. The Group's current liabilities mainly included trade and other payables, borrowings and debentures.

In view of these circumstances, the directors of the Company (the "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 RMB1,595,000,000 in aggregate are available which have been obtained before 31 December 2015, which comprised of:

  (a) a banking facility of RMB810,000,000 from the Agriculture Bank of China which is available until 30 October 2016;

  (b) a banking facility of RMB400,000,000 from the Construction Bank of China which is available until 12 November 2016;

  (c) a banking facility of RMB200,000,000 from the Ping An Bank Company Limited which is available until 25 October 2016;

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

(i) (Cont'd)

(d) a banking facility of RMB100,000,000 from the China Minsheng Bank Company Limited which is available until 16 September 2016;

(e) a banking facility of RMB85,000,000 from the Industrial & Commercial Bank of China Company Limited which is available until 31 July 2016.

(ii) On 8 April 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 up to a maximum outstanding amount of RMB1,000,000,000 at any point in time within two years effective period through the lead underwriter, China Bohai Bank Company Limited. The first tranche of the debentures of RMB500,000,000 issued on 25 September 2015 carry interest of fixed rates of 8.00% with maturity of one year.

The Directors are of the view that the Group is able to identify investors and issue the second tranche of debentures of RMB500,000,000 before 7 April 2016.

(iii) 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 up to a maximum outstanding amount of RMB600,000,000 at any point in time within two years effective period through the lead underwriter, Pingan Bank Company Limited. The first tranche of the debentures of RMB300,000,000 issued on 8 June 2015 carry interest of fixed rates of 7.75% with maturity of one year.

The Directors are of the view that the Group is able to identify investors and issue the second tranche of debentures of RMB300,000,000 before 8 December 2016.

(iv) On 1 June 2015, 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 debenture up to a maximum outstanding amount of RMB2,000,000,000 at any point in time, subject to reissuance after maturity and settlement prior to expiration of the two years effective period through the lead underwriter, China Bohai Bank Company Limited. The first tranche of the debentures of RMB1,000,000,000 issued on 9 June 2015 carry interest of fixed rates of 5.99% with maturity of 270 days and the second tranche of the short-term debentures of RMB1,000,000,000 issued on 26 June 2015 carry interest of fixed rates of 6.00% with maturity of 270 days.

During the effective period, 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.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

(v) On 31 July 2015, the Company obtained approval from the Shanghai Stock Exchange (上海證券交易所) to issue the corporate bonds up to a maximum outstanding amount of RMB2,000,000,000 at any point in time within 12 months effective period through the lead underwriter, Ever Bright Securities Company Limited. The first tranche of the corporate bonds of RMB150,000,000 issued on 24 September 2015 carry interest of fixed rates of 8.00% with maturity of two years.

The Directors are of the view that the Group is able to identify investors and issue the remaining amount of corporate bonds of RMB1,850,000,000 before 30 July 2016.

Taking into account of the aforesaid presently available banking facilities, corporate bonds 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")

The Group has applied, for the first time, certain amendments to IFRSs that are mandatorily effective in the current year:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle

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[1]
IFRS 16	Leases[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
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[3]
Amendments to IAS 7	Disclosure Initiative[5]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses[5]

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

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after 1 January 2016.
[4] Effective for annual periods beginning on or after a date to be determined.
[5] Effective for annual periods beginning on or after 1 January 2017.

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 that 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 at fair value through profit or loss was presented in profit or loss.

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

IFRS 9 Financial Instruments (Cont'd)

- 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 2015.

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

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

IFRS 15 Revenue from Contracts with Customers (Cont'd)

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.

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

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in Note 44, total operating lease commitments of the Group in respect of leased premises as at 31 December 2015 amounted to RMB 36,324,000, the Directors do not expect the adoption of IFRS 16 would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

Other than set out above, the Directors do not anticipate that the application of other new and revised 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. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Hong Kong Companies Ordinance ("CO").

The provision of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and director's reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at both initial recognition and subsequently at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of preparation (Cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The principle accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (Cont'd)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment in associates (Cont'd)

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when goods are delivered and title is passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's policy for the recognition of revenue from financial guarantee contracts is described in the accounting policy for financial guarantee contracts below.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress and stripping costs (see the accounting policy below), over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss, if any. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year in which the item is derecognised.

Stripping costs

Stripping costs incurred during the development of a limestone mine and during the production phase which provide improved access to ore are capitalised into property, plant and equipment when certain criteria are met. The costs of normal ongoing operational stripping activities are accounted for in accordance with IAS 2. Depreciation of capitalised stripping costs is provided on a straight-line basis over their estimated useful lives.

Mining rights

Mining rights acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of mining rights with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Prepaid lease payments

Prepaid lease payments represent payments made to acquire land use rights and are amortised on a straight-line basis over the term of the land use rights.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

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

Operating leases payment is recognised as an expense on a straight-line basis over the term of the relevant lease. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Sale and leaseback transactions

When a sale and leaseback transaction results in a finance lease, the Group neither recognise a sale nor derecognise the relevant asset. The initial cash received from the lessor, together with the present value of the obligation to repurchase the asset are recognised as liabilities to the lessor. If the sales proceeds at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount in accordance with IAS 36.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recorded in the respective functional currency at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at those dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contribution.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Short-term employee benefits

A liability is recognized for benefits accruing to employee in respect of wages and salaries annual leave and sick leave, in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

Deferred tax (Cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the reporting periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial assets is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

(i) it has been acquired principally for the purpose of selling in the near term; or

(ii) on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank balances and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For loans and receivables carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For loans and receivables measured at the amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the group entities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities including trade and other payables, short term debentures, mid-term debentures, long-term corporate bonds and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instrument

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss arising from subsequent measurement is recognised in profit or loss immediately.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured at cost less impairment.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts issued by the Group are initially measured at their fair values and are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

(ii) the amount initially recognised less, where appropriate, cumulative amortization. The amount initially recognised is amortised on a straight-line basis over the guarantee period.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Derivative financial instrument (Cont'd)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial assets and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Provision for environmental restoration

The Group is required to incur costs for environment restoration after the underground sites have been mined. Provision for restoration costs were recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provision is measured at the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the management is required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of property, plant and equipment

As at 31 December 2015, the carrying amount of property, plant and equipment is RMB12,491,514,000 (2014: RMB12,732,279,000). Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group assesses annually the residual value and the remaining useful life of property, plant and equipment and if the expectation differs from the original estimates, such differences from the original estimates will impact the depreciation charges in the year in which the estimates change and in future periods.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of fair value less costs of disposal and value in use. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected or changes in facts and circumstances which result in downward revision of future estimated cash flows, a material impairment loss may arise. As at 31 December 2015, the carrying amount of goodwill is RMB272,311,000 (2014: RMB272,311,000) and no impairment loss has been provided.

Deferred tax assets

As at 31 December 2015, deferred tax assets of RMB115,924,000 (2014: RMB58,497,000) in relation to temporary differences and unused tax losses have been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB468,417,000 (31 December 2014: RMB307,557,000) and deductible temporary differences of RMB2,932,000 (31 December 2014: nil) due to the unpredictability of future profit streams. The recognition of the deferred tax assets mainly depends on whether sufficient taxable temporary differences or future assessable profits will be available in the future. In cases where the actual future assessable profits generated are less or more than expected, a material reversal or further provision of deferred tax assets may arise, which would be recognised in profit or loss in the period such a reversal takes place.

Estimated impairment of trade receivables

Where there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of trade receivables is RMB362,582,000 (net of allowance for doubtful debts of RMB53,726,000) (31 December 2014: RMB499,211,000 (net of allowance for doubtful debts of RMB52,207,000)).

Fair value of derivative financial instruments

The Group uses binomial option pricing model for derivative financial instruments which are not quoted in an active market. In estimating the fair value, the Group uses observable data to the extent it is available. However, areas such as volatilities, dividend yield, exercise multiples and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of the derivative financial instruments as at 31 December 2015.

6. 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:

	2015 RMB'000	2014 RMB'000
Sales of cement	**5,844,586**	8,193,327
Sales of clinker	**350,507**	756,959
	6,195,093	8,950,286

7. 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 which is mainly based on two broad geographical locations 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.

7. SEGMENT INFORMATION (Cont'd)

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

	Segment revenue		Segment profit	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Central China	**4,773,973**	6,286,386	**259,850**	672,567
Northeastern China	**1,421,120**	2,663,900	**(358,569)**	103,959
Total	**6,195,093**	8,950,286	**(98,719)**	776,526
Unallocated corporate administrative expenses			**(17,138)**	(8,140)
Unallocated other income and other gains and losses			**(21,186)**	(15,633)
Unallocated gain on fair value change of derivative financial assets			**449,569**	—
Profit before tax			**312,526**	752,753

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in Note 4. Segment profit represents the profit before taxation without allocation of certain corporate administrative expense including directors' emoluments, other income and other gains and losses and gain on fair value change of derivative financial assets.

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

7. SEGMENT INFORMATION (Cont'd)

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

	2015 RMB'000	2014 RMB'000
SEGMENT ASSETS		
Central China	**20,011,165**	17,378,792
Northeast China	**6,277,884**	7,207,140
Total segment assets	**26,289,049**	24,585,932
Derivative financial assets	**678,809**	—
Deferred tax assets	**115,924**	58,497
Other receivables	**2,686**	9,233
Cash and bank balances	**4,174**	10,213
Total assets	**27,090,642**	24,663,875
SEGMENT LIABILITIES		
Central China	**15,089,023**	13,430,142
Northeast China	**4,331,838**	3,591,075
Total segment liabilities	**19,420,861**	17,021,217
Deferred tax liabilities	**56,054**	57,997
Tax liabilities	**179,472**	162,863
Other payables	**16,194**	8,486
Total liabilities	**19,672,581**	17,250,563

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

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

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

7. SEGMENT INFORMATION (Cont'd)

Other segment information

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

For the year ended 31 December 2015

	Central China RMB'000	Northeast China RMB'000	Total RMB'000
Additions to property, plant & equipment	329,051	185,754	514,805
Additions to prepaid lease payments	5,076	883	5,959
Additions to mining rights	597	1,982	2,579
Finance costs	689,124	341,558	1,030,682
Write-down of inventories	—	2,932	2,932
Provision for environmental restoration	1,854	221	2,075
Depreciation and amortisation	533,211	254,386	787,597
(Reverse of) allowance for bad and doubtful debts	(5,722)	7,241	1,519
Gain on disposal of property, plant and equipment	(1,735)	(1,346)	(3,081)
Value Added Tax refund	(219,816)	(19,656)	(239,472)
Incentive subsidies	(15,090)	(15,220)	(30,310)
Interest on bank deposits	(116,226)	(16,532)	(132,758)

For the year ended 31 December 2014

	Central China RMB'000	Northeast China RMB'000	Total 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)

7. SEGMENT INFORMATION (Cont'd)

Other segment information (Cont'd)

Revenue from major products has been disclosed in Note 6. 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 2015 and 2014.

8. OTHER INCOME AND OTHER GAINS AND LOSSES

	2015 RMB'000	2014 RMB'000
Value Added Tax refund *(Note i)*	239,472	257,000
Incentive subsidies *(Note ii)*	30,310	74,652
Foreign exchange loss, net	(46,030)	(4,596)
Interest on bank deposits	132,758	77,239
Share of profit of an associate	271	—
Rental income	377	2,058
Release of deferred income *(Note 39)*	8,171	8,074
Release of financial guarantee liability	2,490	2,177
Income from sundry operations *(Note iii)*	68,926	54,764
Gain on disposal of property, plant and equipment	3,081	875
Allowance for bad and doubtful debts	(1,519)	(26,044)
Software service income	2,564	—
Others	6,439	557
	447,310	446,756

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.

iii. The balances comprise profits from sundry operations incidental to the main revenue-generating activities of the Group including sales of scrap and raw materials etc.

9. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on:		
Bank borrowings	**286,775**	377,761
Finance leases	**10,253**	11,755
Bills discounted with recourse	**154,669**	196,167
Short term debentures	**251,987**	141,502
Mid-term debentures	**246,482**	178,237
Long-term corporate bonds	**176,347**	148,062
Interest on other payables, including imputed interest	**—**	982
	1,126,513	1,054,466
Less: amounts capitalised in the cost of qualifying assets	**(95,831)**	(93,267)
	1,030,682	961,199

The borrowing costs on general borrowing pool capitalised are calculated by applying capitalisation rate of 6.44% per annum for the year ended 31 December 2015 (2014: 7.09% per annum).

Interest on bills discounted with recourse includes interest on discounted bills issued among subsidiaries of the Group for intra-group transactions of RMB118,036,000 (2014: RMB150,242,000).

10. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
PRC Enterprise Income Tax ("EIT")		
— current year	**83,565**	219,729
— under-provision in prior year	**4,826**	2,726
	88,391	222,455
Deferred tax *(Note 38)*	**(59,370)**	(9,820)
	29,021	212,635

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%.

10. INCOME TAX EXPENSE (Cont'd)

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.

	2015 RMB'000	2014 RMB'000
Profit before taxation	**312,526**	752,753
Tax at the applicable rate of 25% (2014:25%)	**78,132**	188,188
Tax effect of expenses that are not deductible	**18,438**	5,085
Tax effect of tax losses and deductible temporary difference not recognised	**40,948**	14,173
Tax effect of income not taxable for tax purpose	**(112,392)**	—
Under-provision in prior years	**4,826**	2,726
Others	**(931)**	2,463
Income tax expenses for the year	**29,021**	212,635

11. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

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

	2015 RMB'000	2014 RMB'000
Depreciation of property, plant and equipment	**753,541**	722,847
Release of prepaid lease payments	**18,803**	17,905
Amortisation of mining rights, included in cost of sales	**14,501**	14,920
Amortisation of other intangible assets, included in cost of sales	**752**	867
Total depreciation and amortisation *(note)*	**787,597**	756,539
Less: amounts capitalised to inventories	**708,952**	678,840
	78,645	77,699
Cost of inventories recognised as an expense	**4,947,939**	6,892,772
Staff costs including retirement benefit	**376,022**	387,970
Auditor's remuneration	**3,000**	2,700
Release of financial guarantee liability	**2,490**	2,177

Note:

Depreciation and amortisation amounting to RMB44,047,000 (2014: RMB14,265,000) during the temporary suspension period due to seasonal effect are included in other expenses on the consolidated statement of profit or loss and other comprehensive income.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors and the chief executive officer were as follows:

		2015				2014			
	Note	Fee	Salaries and other allowances	Contributions to retirement benefits schemes	Total emoluments	Fee	Salaries and other allowances	Contributions to retirement benefits schemes	Total emoluments
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors									
Mr. Yang Yongzheng	i	369	—	—	369	416	—	—	416
Mr. Xu Wuxue		407	—	—	407	415	—	—	415
Mr. Li Jiangming	ii	717	—	—	717	401	—	—	401
		1,493	—	—	1,493	1,232	—	—	1,232
Non-executive directors									
Mr. Li Liufa		—	—	—	—	—	—	—	—
Mr. Tang Ming Chien	iii	—	—	—	—	—	—	—	—
Mr. Li Heping	vi	—	—	—	—	—	—	—	—
Mr. Yang Yongzheng	i	—	—	—	—	—	—	—	—
		—	—	—	—	—	—	—	—
Independent non-executive directors									
Mr. Ma Chun Fung	iv	—	—	—	—	82	—	—	82
Mr. Kong Xiangzhong		200	—	—	200	200	—	—	200
Mr. Wang Ping		201	—	—	201	189	—	—	189
Mr. Du Xiaotang	v	201	—	—	201	95	—	—	95
		602	—	—	602	566	—	—	566
		2,095	—	—	2,095	1,798	—	—	1,798

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Cont'd)

Note:

i Mr. Yang Yongzheng was re-designated from an executive director to non-executive director of the Company with effect from 3 December 2015. And his emolument shown above was mainly for his service as the executive director which was not allocated between his service as executive director and non-executive director of the Company;

ii Mr. Li Jiangming was appointed as executive director on 11 June 2014;

iii Mr. Tang Ming Chien resigned as non-executive director on 28 May 2014;

iv Mr. Ma Chun Fung resigned as independence non-executive director on 28 May 2014;

v Mr. Du Xiaotang was appointed as independent non-executive director on 11 June 2014.

vi Mr. Li Heping resigned as the chief executive officer of the Company on 1 December 2015 and was appointed as non-executive director on 4 December 2015. His emolument was RMB2,000,000 for the year ended 31 December 2015 (2014: RMB2,000,000) which includes those for services rendered by him as the chief executive officer of the Company and was not allocated between his service as non-executive director and chief executive officer.

vii The emoluments of all directors were calculated based on their respective actual terms of office within the year.

13. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals included three (2014: three) directors and/or chief executive officer of the Company for the year (details of whose emoluments are set out in note 12 above), the emoluments of the remaining two (2014: two) highest paid individuals for the year were as follows:

	2015 **RMB'000**	2014 RMB'000
Salaries and other allowances	**987**	939
Performance related incentive payments	**248**	252
Retirement benefit scheme contribution	**10**	16
	1,245	1,207

The emolument of each of the above employees is below HK$1,000,000 (equivalent to approximately RMB837,800).

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the both years.

Neither the chief executive officer nor any of the directors waived any emoluments during the year ended 31 December 2015 and 2014.

The performance related incentive payment is determined based on the employee's contribution to the operating result of the Group for the each of the year ended 31 December 2015 and 2014.

14. 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:

	2015 RMB'000	2014 RMB'000
Earnings		
Profit for the year attributable to owners of the Company	313,079	564,938

	2015 '000	2014 '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.

15. DIVIDEND

Dividends for the shareholders of the Company recognised as distribution during the year:

	2015 RMB'000	2014 RMB'000
Total dividend (including final dividend and special dividend) in respect of the year ended 31 December 2014 of RMB 0.21 (2014: nil) per share	504,189	—

Subsequent to the end of the reporting period, no dividend in respect of the year ended 31 December 2015 has been proposed by the directors of the Company.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Office equipment	Stripping costs	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2014	6,187,005	6,785,755	117,419	95,594	745,751	940,717	14,872,241
Additions	4,321	23,873	7,127	10,723	680,003	516,789	1,242,836
Additions from acquisition of subsidiaries *(Note 49)*	190,128	84,592	8,559	349	—	86,436	370,064
Disposals	(459)	(1,948)	(7,248)	(137)	—	—	(9,792)
Transfer	98,653	84,588	—	—	—	(183,241)	—
At 31 December 2014	6,479,648	6,976,860	125,857	106,529	1,425,754	1,360,701	16,475,349
Additions	4,771	26,827	6,448	9,090	31,166	436,503	514,805
Disposals	(45)	(1,050)	(6,584)	(360)	—	—	(8,039)
Transfer	380,265	258,354	—	774	—	(639,393)	—
At 31 December 2015	6,864,639	7,260,991	125,721	116,033	1,456,920	1,157,811	16,982,115
DEPRECIATION AND IMPAIRMENT							
At 1 January 2014	796,603	1,999,988	70,584	83,727	77,951	—	3,028,853
Provided for the year	194,636	429,414	36,639	4,412	57,746	—	722,847
Eliminated on disposals	(189)	(1,632)	(6,738)	(71)	—	—	(8,630)
At 31 December 2014	991,050	2,427,770	100,485	88,068	135,697	—	3,743,070
Provided for the year	205,621	431,194	28,569	5,258	82,899	—	753,541
Eliminated on disposals	(21)	(279)	(5,368)	(342)	—	—	(6,010)
At 31 December 2015	1,196,650	2,858,685	123,686	92,984	218,596	—	4,490,601
CARRYING AMOUNTS							
At 31 December 2014	5,488,598	4,549,090	25,372	18,461	1,290,057	1,360,701	12,732,279
At 31 December 2015	5,667,989	4,402,306	2,035	23,049	1,238,324	1,157,811	12,491,514

16. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The above items of property, plant and equipment, other than construction in progress and stripping costs, are depreciated over their useful lives, after taking into account the estimated residual value, on a straight-line basis:

Buildings	20–30 years
Plant and machinery	5–15 years
Motor vehicles	5 years
Office equipment	5 years

Stripping costs are depreciated on a straight-line basis over their estimated useful lives ranged from 15 to 20 years. Costs incurred on stripping activity which provide improved access to the whole of the remaining ore body are depreciated over the remaining useful life of the relevant mine. Costs incurred in respect of an identified component of the ore body that is made more accessible by the activity are depreciated over a shorter period than the life of the mine. The management considers that the straight-line basis is more appropriate due to difficulty in determining the pattern of consumption of the future economic benefits reliably as the quantity of outputs to be extracted may be impacted by economical and geographical reasons.

Details of the property, plant and equipment pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 42.

The carrying amounts of buildings, which the application to obtain the ownership certificates is still in process, are approximately RMB847,408,000 as at 31 December 2015 (31 December 2014: RMB855,864,000).

The carrying amount of equipment, which are under finance lease arrangement, is approximately RMB256,230,000 as at 31 December 2015 (31 December 2014: RMB280,587,000).

17. DEPOSITS AND ADVANCES

	2015 **RMB'000**	2014 RMB'000
Deposits paid for acquiring property, plant and equipment, land use rights and mining rights	**469,751**	522,720
Deposits/advances for acquisition of businesses *(Note)*	**1,961,457**	2,141,473
	2,431,208	2,664,193

Note: The acquisitions are expected to be completed in 2016. Included in this balance were advances to the investees of RMB1,463,257,000 as at 31 December 2015 (31 December 2014: RMB1,972,673,000) mainly for purchase of production facilities and mining stone.

During the year, deposits of RMB108,800,000 (2014: Nil) were refunded to the Group due to the termination of the acquisition and advances of RMB509,416,000 (2014: Nil) were repaid by the relevant investees.

18. PREPAID LEASE PAYMENTS

	Prepaid lease payments RMB'000
At 1 January 2014	810,676
Additions	23,771
Additions from acquisition of subsidiaries *(Note 49)*	27,012
Released to profit or loss	(17,905)
At 31 December 2014	843,554
Additions	5,959
Released to profit or loss	(18,803)
At 31 December 2015	830,710

Analysis for reporting purposes as:

	2015 RMB'000	2014 RMB'000
Current assets included in trade and other receivables *(Note 25)*	**19,116**	19,270
Non-current assets	**811,594**	824,284
	830,710	843,554

The carrying amounts of land use right, which the application to obtain the certificates is still in process, are approximately RMB38,136,000 as at 31 December 2015 (31 December 2014: RMB143,430,000).

Prepaid lease payments are amortised over the lease term of the respective leases.

Details of the land use rights pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 42.

19. MINING RIGHTS

	Mining rights RMB'000
COST	
At 1 January 2014	279,899
Additions	66,718
At 31 December 2014	346,617
Additions	2,579
At 31 December 2015	349,196
ACCUMULATED AMORTISATION	
At 1 January 2014	64,369
Amortisation	14,920
At 31 December 2014	79,289
Amortisation	14,501
At 31 December 2015	93,790
CARRYING AMOUNTS	
At 31 December 2014	267,328
At 31 December 2015	255,406

The useful lives of the mining rights in respect of limestone sites located in the PRC, mainly ranged from 10–33 years.

Details of the mining rights pledged by the Group to secure the bank loans granted to the Group are set out in Note 42.

20. GOODWILL

For the purposes of impairment testing, goodwill has been allocated to twelve (2014: twelve) cash generating units ("CGUs"), comprising fourteen (2014: fourteen) subsidiaries. The carrying amounts of goodwill as at 31 December 2015 and 2014 allocated to these units are as follows:

	2015 RMB'000	2014 RMB'000
COST		
At 1 January	**272,311**	161,480
Arising on acquisition of subsidiaries *(Notes 49)*	**—**	110,831
At 31 December	**272,311**	272,311
CARRYING AMOUNTS		
At 31 December	**272,311**	272,311

20. GOODWILL (Cont'd)

The carrying amounts of goodwill allocated to CGUs or groups of CGU of the relevant companies, represent the lowest level within the Group at which goodwill is monitored for internal management purpose, as are set out below:

	2015 RMB'000	2014 RMB'000
Weihui Shi Tianrui Cement Company Limited	**10,502**	10,502
Zhengzhou Tianrui Cement Company Limited	**1,773**	1,773
Pingdingshan Tianrui Yaodian Cement Company Limited	**6,689**	6,689
Liaoyang Tianrui Weiqi Cement Company Limited (遼陽天瑞威企水泥有限公司)("Weiqi Cement")	**33,422**	33,422
Liaoyang Tianrui Chengxing Cement Company Limited (遼陽天瑞誠興水泥有限公司)("Chengxing Cement")	**13,628**	13,628
Liaoyang Tianrui Liaota Cement Company Limited (遼陽天瑞遼塔水泥有限公司)("Liaota Cement"); and Liaoyang Tianrui Liaodong Cement Company Limited (遼陽天瑞遼東水泥有限公司)("Liaodong Cement"); and Liaoyang Tianrui Liaota Mining Company Limited (遼陽天瑞遼塔礦業有限公司) ("Dengta Mining") (Collectively referred to as the "Liaota Group")	**29,284**	29,284
Dalian Tianrui Jinhaian Cement Company Limited (大連天瑞金海岸水泥有限公司) ("Jinhaian Cement")	**49,558**	49,558
Xinyang Tianrui Cement Company Limited (信陽天瑞水泥有限公司) ("Xinyang Cement")	**16,624**	16,624
Shenyang Tiger Cement Company Limited (瀋陽老虎水泥有限公司) ("Tiger Cement")	**3,974**	3,974
Zhuanghe Tianrui Cement Company Limited (莊河天瑞水泥有限公司) ("Zhuanghe Cement")	**30,059**	30,059
Haicheng the First Cement Company Limited (海城市第一水泥有限公司) ("Haicheng Cement")	**71,161**	71,161
Haicheng Tianying Construction Stone Mining Company Limited (海城市天鷹建築石材採掘有限公司) ("Tianying Mining")	**5,637**	5,637
	272,311	272,311

20. GOODWILL (Cont'd)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amounts of the relevant CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective subsidiary covering a one-year period with growth rates of 1% to 2% for the following 4 years and discount rates ranged from 9% to 10% as at 31 December 2015 (31 December 2014: 9% to 10%), respectively. This growth rate is based on the industry growth forecasts and does not exceed the average medium-term growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated using zero growth rate. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development.

The Directors consider that there is no impairment of any of its CGUs containing goodwill as at 31 December 2015 and 2014.

21. OTHER INTANGIBLE ASSETS

	Operating lease contracts RMB'000
COST	
At 1 January 2014, 31 December 2014 and 2015	9,353
ACCUMULATED AMORTISATION	
At 1 January 2014	(1,127)
Amortisation	(867)
At 31 December 2014	(1,994)
Amortisation	(752)
At 31 December 2015	(2,746)
CARRYING AMOUNTS	
At 31 December 2014	7,359
At 31 December 2015	6,607

The intangible assets were acquired on acquisition of a subsidiary and are amortised on a straight-line basis over the respective contractual lease term of 7 and 18 years.

22. INTERESTS IN ASSOCIATES

	2015 RMB'000	2014 RMB'000
Cost of investment in associates	225,000	120,000
Share of post-acquisition losses	(119,729)	(120,000)
	105,271	—

Details of the associate as at the end of reporting period are as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting right		Principal activities
			2015 %	2014 %	
Pingdingshan Ruiping Shilong Cement Company Limited 平頂山瑞平石龍水泥有限公司	The PRC 12 September 2005	RMB300,000,000	40	40	Manufacture and sale of clinker in the PRC
Tianrui Group Finance Company Limited 天瑞集團財務有限公司	The PRC 22 July 2015	RMB300,000,000	35	N/A	Financing and relevant service in the PRC

22. INTERESTS IN ASSOCIATES (Cont'd)

The summarised financial information in respect of the Group's associates is set out below:

Pingdingshan Ruiping Shilong Cement Company Limited

	2015 RMB'000	2014 RMB'000
Current assets	142,353	151,333
Non-current assets	590,518	631,339
Current liabilities	1,174,362	1,124,041

	2015 RMB'000	2014 RMB'000
Revenue	189,596	381,155
Loss and total comprehensive expense for the year	(100,122)	(55,577)

The Group has discontinued recognition of its share of losses of the associate. The amounts of unrecognised share of loss of the associate, extracted from the financial statements of the associate prepared in accordance with IFRSs, are as follows:

	2015 RMB'000	2014 RMB'000
Unrecognised share of loss of the associates for the year	40,049	22,231
Accumulated unrecognised share of loss of the associates	176,597	136,548

22. INTERESTS IN ASSOCIATES (Cont'd)

Tianrui Group Finance Company Limited ("Tianrui Finance")

	2015 RMB'000	2014 RMB'000
Current assets	614,724	N/A
Current liabilities	313,949	N/A

	2015 RMB'000	2014 RMB'000
Revenue	5,771	N/A
Profit and total comprehensive income for the year	775	N/A

Reconciliation of the above summarised financial information to the carrying amount of the interests in the Tianrui Finance recognised in the consolidated financial statements:

	2015 RMB'000	2014 RMB'000
Net assets	300,775	N/A
Proportion of the Group's ownership interest in the associate	35%	N/A
Carrying amount of the Group's interest in the associate	105,271	N/A

23. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials and consumables	**524,020**	988,158
Work-in-progress	**9,850**	11,600
Finished goods	**298,371**	331,270
	832,241	1,331,028

24. DERIVATIVE FINANCIAL ASSETS

	2015 RMB'000	2014 RMB'000
Derivative financial assets		
— Fair value	**678,809**	—

The Group and Tianrui Group, controlled by Mr. Li Liufa, a non-executive director of the Company, entered into the amended deed of non-competition undertaking in favor of the Company ("Amended Non-competition Deed"). The details of the Amended Non-competition Deed are set out in the Company's circular dated 31 October 2014 (the "Circular"). Under the Amended Non-competition Deed, Tianrui Group was allowed to pursue the business which is or may be in competition, directly or indirectly, with the business of the Group (the "New Business Opportunity") subject to certain restrictions and an option in favor of the Company over the business subsequently developed by Tianrui Group. The Group is entitled to exercise the option at any time during the relevant restricted period as defined in the Amended Non-competition Deed (the "Restricted Period").

In addition, Tianrui Group have further undertaken that during the Restricted Period, without the Company's prior written consent, Tianrui Group and/or their respective associate(s) shall not transfer or dispose of any business subsequently developed from the New Business Opportunity (the "New Business") or any interest in the New Business to any third party, or create any mortgage, pledge, lien or any other encumbrance or third party's rights over the New Business or any interest in it.

Under the Amended Non-competition Deed, the Group has the option to acquire the New Business or any interest in it in accordance with (a) commercial terms which (i) will not be less favorable than those applicable to the acquisition of the same New Business Opportunity by Tianrui Group in the first instance, provided that the Company shall reimburse Tianrui Group for the acquisition costs (including tax expenses, financing costs, professional fees and travelling expenses) incurred by them in respect of their acquisition of such New Business Opportunity; and (ii) have been opined by an independent financial adviser of the Company as being normal commercial terms arrived at in the ordinary course of business of the Company, fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (b) any requirement under the listing rules in relation to the acquisition of the New Business and any interest in it.

24. DERIVATIVE FINANCIAL ASSETS (Cont'd)

Up to 31 December 2015, Tianrui Group acquired certain shares of four companies including Henan Tongli Cement Corporation (河南同力水泥股份有限公司,"Henan Tongli"), a company listed on the Shenzhen Stock Exchange, China Shanshui Cement Group Limited("Shanshui Cement"), a company listed on the Stock Exchange of Hong Kong Limited, which represented about 15.03% equity interests of Henan Tongli, 28.16% equity interests of Shanshui Cement and 55% and 100% equity interests of Tianrui Xindeng Zhengzhou Cement Company Limited (天瑞新登鄭州水泥有限公司) ("Xindeng Cement", formerly known as Guotou Xindeng Zhengzhou Cement Company Limited (國投新登鄭州水泥有限公司) and Henan Yongan Cement Company Limited (河南永安水泥有限責任公司) ("Yongan Cement") respectively. These companies mainly engage in cement related businesses and hence fulfilled the definition of New Business pursuant to the option agreement. Accordingly, the Group has the option to acquire these companies at any time during the Restricted Period. The option falls within the scope of IAS 39 Financial Instruments: Recognition and Measurement as derivative financial instruments. For valuation purpose, the options are fair valued for each investee separately as the Group is able to exercise the option independently. Except for Yongan Cement as disclosed below, the Group has not exercised the option to acquire the interests of the other companies as at 31 December 2015.

On 9 September 2015, the Group and Tianrui Group entered into the acquisition agreement, pursuant to which Tianrui Group conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Shares which represent 100% equity interest of Yong an Cement at the consideration of RMB842,017,000, which is less than the original acquisition costs incurred by Tianrui Group. The acquisition has not been completed as at the date of the consolidated financial statements as it was subject to approval of shareholders of the Company and relevant regulators. The fair value of the option to acquire Yongan Cement at the initial recognition and the changes in fair value up to the date the Group exercised the option is insignificant.

The total fair values of the options to acquire Henan Tongli and Xindeng Cement at initial recognition was estimated to be RMB229,240,000 which was considered as a deemed contribution from Tianrui Group and credited to other reserves on the consolidated statement of changes in equity. The changes in fair value amounting to RMB449,569,000 subsequent to initial recognition was recognised in profit or loss during the year ended 31 December 2015. The details for the fair value measurement of the options are detailed in Note 48.3.

In the opinion of the Directors, the option to acquire Shanshui Cement cannot be reliably measured as the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed. Trading of Shanshui Cement shares was suspended since April 2015 due to the public float fallen below 25% as required under the Listing Rules. Furthermore, the management has limited access to the financial information of Shanshui Cement other than those are made available to the public.

25. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**416,308**	551,418
Less: allowances for bad and doubtful debts	**(53,726)**	(52,207)
	362,582	499,211
Bills receivables	**612,267**	314,801
Bills endorsed to suppliers *(Note)*	**1,851,199**	1,028,054
Value Added Tax refund receivables	**26,122**	20,403
Prepayment for various taxes	**66,798**	80,044
Prepaid lease payments *(Note 18)*	**19,116**	19,270
Other receivables	**232,032**	144,281
	3,170,116	2,106,064

Bills receivables amounted to RMB602,650,000 as at 31 December 2015 (31 December 2014: RMB107,633,000) were discounted to banks to obtain borrowings of which RMB590,000,000 (31 December 2014: RMB60,000,000) relates to bills receivable issued among subsidiaries of the Group for intra-group transactions. (See Notes 26 and 32)

Note:

In addition to the above, the Group has also endorsed bills receivable arising from intra-group transaction to suppliers amounting to RMB2,865,000,000 (2014:RMB 1,090,000,000) as at the end of the reporting period. The bills receivable and related payables issued between group entities were fully eliminated in the consolidated financial statements.

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

	2015 RMB'000	2014 RMB'000
Within 90 days	**303,614**	621,197
91–180 days	**535,937**	152,453
181–360 days	**5,551**	37,262
Over 1 year	**129,747**	3,100
Total	**974,849**	814,012

25. TRADE AND OTHER RECEIVABLES (Cont'd)

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 RMB135,298,000 which are past due as at 31 December 2015 (31 December 2014: RMB40,362,000) 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:

	2015 RMB'000	2014 RMB'000
181–360 days	5,551	37,262
Over 1 year	129,747	3,100
Total	135,298	40,362

Movement in the allowance for bad and doubtful debts

	2015 RMB'000	2014 RMB'000
Balance at beginning of the year	52,207	26,163
Provided for the year	11,865	26,044
Reversal for the year	(10,346)	—
Balance at the end of the year	53,726	52,207

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of RMB53,726,000 (31 December 2014: RMB52,207,000) which was considered as uncollectable. The Group does not hold any collateral over these balances.

Details of bills receivables pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 42.

26. TRANSFER OF FINANCIAL ASSETS

As at 31 December 2015, bills receivables with carrying amount of RMB12,650,000 (31 December 2014: RMB47,633,000) were transferred to banks by discounting those receivables on a full recourse basis and the carrying amount of the associated liability is RMB12,374,000 (31 December 2014: RMB46,500,000). As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 32). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2015, bills receivables with carrying amount of RMB1,851,199,000 (31 December 2014: RMB1,028,054,000) were endorsed to suppliers on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables.

In addition, bills receivable issued among subsidiaries of the Group for intra-group transactions amounting to RMB590,000,000 (31 December 2014: RMB60,000,000) were transferred to banks by discounting those receivables on a full recourse basis to secure bank borrowings amounting to RMB566,838,000 (31 December 2014: RMB58,050,000) (see note 32) and these bills receivable and the related intra-group payables have been eliminated in the consolidated financial statements.

Bills receivable issued among subsidiaries of the Group for intra-group transactions amounting to RMB2,865,000,000 (2014: RMB1,090,000,000) were endorsed to suppliers on a full recourse basis and these bills receivable and the related intra-group payables have been eliminated in the consolidated financial statements.

27. AMOUNT DUE FROM AN ASSOCIATE

	2015 **RMB'000**	2014 RMB'000
Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司) *(note)*	**508,064**	458,635

Note: The amount represents the advance payment to the related party for the purchase of goods.

28. PLEDGED BANK BALANCES

As at 31 December 2015, pledged bank balances represent deposits pledged to banks for (i) securing bank borrowings granted to the Group amounting to RMB802,300,000 (details disclosed in Note 42), (ii) issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB3,886,966,000.

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 (details disclosed in Note 42), and (ii) issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB2,407,195,000.

The pledged bank balances carry market interest rate of 0.35% to 2.0% per annum as at 31 December 2015 (31 December 2014: 0.35% to 3.30% per annum).

29. CASH AND BANK BALANCES

The amounts represent cash and bank balances held by the Group. As at 31 December 2015, bank balances carry interest at market rates of 0.01% and 4.25% per annum (31 December 2014: 0.01% and 4.25% per annum).

30. TRADE AND OTHER PAYABLES

	2015 **RMB'000**	2014 RMB'000
Trade payables	**1,127,011**	2,356,074
Bills payables	**1,734,000**	1,306,000
Construction cost and retention payable	**318,153**	341,655
Advances from customers	**219,380**	196,124
Other tax payables	**45,141**	63,093
Other payables — current *(Note 37)*	**4,500**	18,900
Payables for mining rights	**8,300**	8,300
Interest payables	**438,856**	299,615
Other payables and accrued expenses	**217,527**	223,354
	4,112,868	4,813,115

30. TRADE AND OTHER PAYABLES (Cont'd)

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:

	2015 RMB'000	2014 RMB'000
Within 90 days	**1,739,412**	2,175,460
91–180 days	**484,200**	1,279,763
181–365 days	**570,565**	153,732
Over 1 year	**66,834**	53,119
Total	**2,861,011**	3,662,074

31. SHORT TERM DEBENTURES

	2015 RMB'000	2014 RMB'000
Short term debentures	**3,792,019**	2,296,446

The amounts as at 31 December 2015 represented the short term debentures which included: (i) the 2015 first tranche of short term debentures of RMB500,000,000 issued on 22 January 2015 through the lead underwriter, Huaxia Bank Company Limited with maturity of one year, (ii) the 2015 second tranche of short term debentures of RMB500,000,000 issued on 27 May 2015 through the lead underwriter, China Ever Bright Bank Company Limited with maturity of one year, (iii) the 2015 third tranche of short term debentures of RMB300,000,000 issued on 8 June 2015 through the lead underwriter, Ping An Bank Company Limited with maturity of one year, (iv) the 2015 fourth tranche of short term debentures of RMB1,000,000,000 issued on 9 June 2015 through the lead underwriter, China Bohai Bank Company Limited with maturity of 270 days, (v) the 2015 fifth tranche of short term debentures of RMB1,000,000,000 issued on 26 June 2015 through the lead underwriter, China Bohai Bank Company Limited with maturity of 270 days and (vi) the 2015 sixth tranche of short term debentures of RMB500,000,000 issued on 25 September 2015 through the lead underwriter, China Bohai Bank Company Limited with maturity of one year. These short term debentures carry interest of fixed rates of 8.00%, 5.20%, 7.75%, 5.99%, 6.00% and 8.00% per annum, respectively.

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 Directors consider that the carrying amounts of the short term debentures and related interest amounting to RMB144,073,000 (31 December 2014: RMB90,934,000) as at 31 December 2015 recognised in the consolidated financial statements approximate to their fair value.

32. BORROWINGS

	2015 RMB'000	2014 RMB'000
Bank borrowings		
— fixed-rate (i)	**2,050,000**	3,221,000
— variable-rate (ii, iii)	**1,860,211**	1,720,265
	3,910,211	4,941,265
Bank borrowing relating to bills discounted with recourse (iv) *(Note 26)*	**579,212**	104,550
	4,489,423	5,045,815
Secured	**3,179,423**	3,235,815
Unsecured	**1,310,000**	1,810,000
	4,489,423	5,045,815

The borrowings are repayable as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**4,334,423**	4,825,815
More than one year, but not exceeding two years	**125,000**	65,000
More than two years, but not exceeding five years	**30,000**	155,000
	4,489,423	5,045,815
Less: Amount due within one year shown under current liabilities	**(4,334,423)**	(4,825,815)
Amount due after one year	**155,000**	220,000

The Directors consider that the carrying amounts of borrowings and related interest amounting to RMB9,984,000 (31 December 2014: RMB12,599,000) as at 31 December 2015 recognised in the consolidated financial statements approximate to their fair value.

During the year, the Group discounted bills receivable with recourse in aggregated amounts of RMB479,383,000 (2014: RMB490,735,000) to banks for short term financing. As at 31 December 2015, the associated borrowings amount to RMB12,374,000 (2014: RMB46,500,000). The relevant cash flows of these borrowings are presented as operating cash flows in the consolidated statement of cash flows as the management considers the cash flows are, in substance, the receipts from trade customers.

32. BORROWINGS (Cont'd)

Note:

i As at 31 December 2015, the fixed-rate borrowings carry interests ranged from 4.35% to 10.40% per annum (31 December 2014 from 5.60% to 12.00% per annum).

ii As at 31 December 2015, the variable-rate borrowings carry interests ranged from 2.86% to 6.89% per annum (31 December 2014: from 2.86% to 7.2% per annum).

iii As at 31 December 2015, the interest rate of US Dollar variable-rate loans, amounting to RMB704,211,000 (31 December 2014: RMB671,266,000) is determined based on London Interbank Offered Rate ("LIBOR") plus from 2.60% to 3.35% per annum (2014: LIBOR plus from 2.60% 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 2015, the amounts represented the cash received on bills receivables discounted to various banks with full recourse of which RMB566,838,000 (31 December 2014: RMB58,050,000) relates to discounted bills issued among subsidiaries of the Group for intra-group transactions. The discounted bills carried fixed interests ranging from 2.99% to 7.30% per annum (31 December 2014: from 4.16% to 10.99% per annum).

Details of assets pledged to secure bank borrowings are set out in Note 42.

33. OBLIGATIONS UNDER FINANCE LEASES

	At 31 December 2015 RMB'000	At 31 December 2014 RMB'000
Analyzed for reporting purposes as:		
Current liabilities	**55,358**	51,652
Non-current liabilities	**28,887**	84,328
	84,245	135,980

The Group has entered into sale and leaseback transactions which give rise to finance leases. The lease assets, including plant and equipment, were continued to be recognised as property, plant and equipment of the Group. The average lease term is 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 5.52% to 6.72% per annum (31 December 2014: from 6.72% to 7.25% per annum).

33. OBLIGATIONS UNDER FINANCE LEASES (Cont'd)

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2015 RMB'000	31/12/2014 RMB'000	**31/12/2015 RMB'000**	31/12/2014 RMB'000
Amounts payable under finance leases				
Within one year	**59,130**	60,061	**55,358**	51,652
In more than one year but not more than two years	**29,640**	60,061	**28,887**	55,221
In more than two years but not more than five years	**—**	30,030	**—**	29,107
	88,770	150,152	**84,245**	135,980
Less: future finance charges	**(4,525)**	(14,172)	**N/A**	N/A
Present value of lease obligations	**84,245**	135,980	**84,245**	135,980
Less: Amount due for settlement with 12 months (shown under current liabilities)			**(55,358)**	(51,652)
Amount due for settlement after 12 months			**28,887**	84,328

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

34. FINANCIAL GUARANTEE CONTRACTS

	2015 RMB'000	2014 RMB'000
Financial guarantee contracts	**10,637**	9,320

As at 31 December 2015, outstanding financial guarantees in respect of bank facilities provided by the Group to Tianrui Group Yunyang Foundry Company Limited (天瑞集團雲陽鑄造有限公司) ("Tianrui Foundry"), Ruzhou Tianrui Coking Company Limited (汝州天瑞煤焦化有限公司) ("Tianrui Coking"), Tianrui Group Travel Development Company Limited (天瑞集團旅遊發展有限公司) ("Tianrui Travel"), three subsidiaries of Tianrui Group, and Tianrui Group, amounted to RMB250,000,000 (31 December 2014: RMB250,000,000), RMB522,000,000 (31 December 2014: RMB522,000,000), RMB660,000,000 (31 December 2014: RMB660,000,000) and RMB40,000,000 (31 December 2014: Nil) respectively, of which facilities amounting to Nil (31 December 2014: RMB195,000,000), RMB337,000,000 (31 December 2014: RMB432,000,000), RMB270,650,000 (31 December 2014: RMB93,650,000) and RMB40,000,000 (31 December 2014: Nil) were utilised and drawdown respectively. These financial guarantee were provided for a period of 5 years, 7 years, 10 years and 1 year respectively.

The total fair value of financial guarantee contracts at initial recognition of RMB3,807,000 (2014: RMB2,787,000) were calculated using the guarantee fee rate estimated by reference to the probability of default of the recipients and considered as deemed distribution to Tianrui Group and debited to other reserves on the consolidated statement of changes in equity.

35. MID-TERM DEBENTURES

	Mid-term debentures RMB'000
At 1 January 2014	1,800,000
Additions	692,595
At 31 December 2014	2,492,595
Additions	2,136,176
Repayments	(944,600)
At 31 December 2015	3,684,171

	2015 **RMB'000**	2014 RMB'000
Mid-term debentures	**3,684,171**	2,492,595
Less: Amount due within one year	**(1,300,000)**	(700,000)
Amount due after one year	**2,384,171**	1,792,595

The amounts as at 31 December 2015 represented the mid-term debentures which included: (i) the issuance of mid-term debentures of RMB800,000,000 which included RMB400,000,000 on 2 April 2013 and RMB400,000,000 on 9 August 2013 with maturity of three years, carrying fixed interest rate at 7.31% and 7.31% per annum respectively, (ii) the issuance of small and medium-sized enterprise private debentures RMB250,000,000 on 25 April 2014 with maturity of three years, carrying fixed interest rate at 9.00% per annum, (iii) the issuance of mid-term debentures of RMB500,000,000 on 24 September 2014 with maturity of two years, carrying fixed interest rate at 8.60% per annum, (iv) the issuance of the enterprise private debentures of RMB500,000,000 on 9 January 2015 with maturity of three years, carrying fixed interest rate at 8.50% per annum, (v) the issuance of the enterprise private debentures of RMB500,000,000 on 27 August 2015 with maturity of two years, carrying fixed interest rate at 7.90% per annum, (vi) the issuance of enterprise private debentures of RMB150,000,000 on 24 September 2015 with maturity of two years, carrying fixed interest rate at 8.00% per annum, (vii) the issuance of mid-term debenture of RMB550,000,000 on 14 September 2015 and RMB450,000,000 on 23 October 2015 with maturity of two years, both carrying fixed interest rate at 8.00% per annum.

The Directors consider that the carrying amounts of the mid-term debentures and related interest amounting to RMB139,860,000 (31 December 2014: RMB68,973,000) as at 31 December 2015 recognised in the consolidated financial statements approximate to their fair value.

36. LONG-TERM CORPORATE BONDS

	2015 RMB'000	2014 RMB'000
Long-term corporate bonds	**3,057,635**	2,029,079

The amounts as at 31 December 2015 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 7.21% per annum, with an option to further extend for three years subject to the approval of the bondholders and negotiation of terms and conditions between the Group and 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, (ii) the issuance of long-term corporate bonds in an aggregate principal amount RMB1,000,000,000 on 29 September 2015 through the lead underwriter, Ping An Securities Company Limited(平安證券有限責任公司), with a term of three years and a rate of 5.95 % per annum, with an option to further extend for two years subject to the approval of the bondholders and negotiation of terms and conditions between the Group and the bondholders and (iii) the issuance of long-term corporate bonds in an aggregate principal amount HK$79,000,000, amounting to RMB66,184,620 which including the issuance of first tranche corporate bonds of HK$45,540,000 on 2 December 2014 and the second tranche corporate bonds of HK$33,460,000 on 15 July 2015, with a term of eight years and a rate of 6.50% per annum. This long-term corporate bonds were issued through the lead underwriter, 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 and related interest amounting to RMB144,939,000 (31 December 2014: 127,109,000) as at 31 December 2015 recognised in the consolidated financial statements approximate to their fair value.

37. OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Acquisition of mining rights	**12,900**	27,300
Less: Amount due within one year shown under trade and other payables *(Note 30)*	**(4,500)**	(18,900)
	8,400	8,400

The amounts represented the payables for acquisition of mining rights.

37. OTHER PAYABLES (Cont'd)

Pursuant to the purchase agreement entered into between Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司) and Dalian Municipal Bureau of Land and Resources and Housing (大連市國土資源和房屋局) in 2007, Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司) acquired mining rights at a consideration of approximately RMB52,068,000 which is repayable by 6 installments between 2007 to 2017 every 2 years. The amount bears interest at progressive rates ranged from 5.87% to 7.83% per annum.

Pursuant to the purchase agreement entered into between Weihui Shi Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司) and Weihui Municipal Bureau of Geological and Mineral Resources (衛輝市地質礦產局) in 2007, Weihui Shi Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司) acquired mining rights at a consideration of RMB35,000,000 which is repayable by 8 installments between 2007 to 2015 annually. The amount is interest free. The fair value of the outstanding amount at initial recognition is estimated at an effective interest rate of 6.89% per annum.

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

38. DEFERRED TAXATION

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

	Allowance on trade and other receivables and write-down of inventories	Property, plant, equipment and prepaid lease payments	Imputed interest on other payables	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (note)	RMB'000
At 1 January 2014	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 *(note 49)*	—	(15,840)	—	—	—	(15,840)
At 31 December 2014	13,794	(62,168)	—	28,065	20,809	500
Credit (charge) to profit or loss for the year	316	2,983	—	62,481	(6,410)	59,370
At 31 December 2015	14,110	(59,185)	—	90,546	14,399	59,870

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.

38. DEFERRED TAXATION (Cont'd)

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:

	2015 RMB'000	2014 RMB'000
Deferred tax assets	**115,924**	58,497
Deferred tax liabilities	**(56,054)**	(57,997)
	59,870	500

At 31 December 2015, the Group has unused tax losses of approximately RMB830,601,000 (31 December 2014: RMB419,817,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB362,184,000 (31 December 2014: RMB112,260,000) of such losses.

No deferred tax assets has been recognised in respect of the remaining RMB468,417,000 (31 December 2014: RMB307,557,000) due to the unpredictability of future profit streams in respective subsidiaries. The unrecognised tax loss will be expired as follows:

	2015 RMB'000	2014 RMB'000
2016	**6,933**	6,933
2017	**70,749**	70,749
2018	**173,183**	173,183
2019	**56,692**	56,692
2020	**160,860**	—
	468,417	307,557

In addition, the Group has deductible temporary differences of RMB2,932,000 (31 December 2014: nil) as at 31 December 2015. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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 RMB4,900,484,000 as at 31 December 2015 (31 December 2014: RMB4,639,525,000) 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.

39. DEFERRED INCOME

	2015 RMB'000	2014 RMB'000
Assets-related government grants	**177,483**	180,854

The assets-related government grants represent the subsidies received by the Group for the purpose of acquiring land use rights to build new production lines in the PRC and acquiring qualified energy conservation equipment. An amount of approximately RMB8,171,000 was released to "other income and other gains and losses" during the year ended 31 December 2015 (2014: RMB8,074,000).

40. PROVISION FOR ENVIRONMENTAL RESTORATION

	Environmental restoration RMB'000
At 1 January 2014	14,630
Provision for the year	3,469
At 31 December 2014	18,099
Provision for the year	2,075
At 31 December 2015	20,174

According to the regulation issued in 2009 by the Ministry of Land and Resources (國土資源部), the user of a mine should undertake the obligation of environmental restoration. After taking into account the quantity of limestone mined and the timing of mine restoration in future, a provision has been recognised for the costs expected to be incurred for the restoration of the limestone mines. Addition in provision is recognised as cost of sales of the related limestone mined and sold.

41. SHARE CAPITAL

The Company

	Number of shares	Share capital	
		HK$'000	RMB'000
Ordinary share of HK$0.01 each:			
As at 1 January 2014, 31 December 2014 and 2015	10,000,000,000	100,000	81,070
Issued			
As at 1 January 2014, 31 December 2014 and 2015	2,400,900,000	24,009	19,505

42. 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 analysed as follows:

	2015 RMB'000	2014 RMB'000
Property, plant and equipment	**1,111,326**	1,870,412
Prepaid lease payments	**114,567**	192,420
Mining rights	**—**	21,034
Pledged bank balances	**802,300**	561,400
	2,028,193	2,645,266

Apart from the assets pledged set out above, Tianrui Cement has pledged all of its equity interests in Tianrui Group Guangshan Cement Company Limited (天瑞集團光山水泥有限公司), Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司) and Tianrui Group Xiaoxian Cement Company Limited (天瑞集團蕭縣水泥有限公司) to secure the short-term US Dollar variable-rate loans amounting to RMB402,603,200 (31 December 2014: RMB379,378,000), and pledged all of its equity interests in Haicheng The First Cement Company limited (海城市第一水泥有限公司) to secure the long-term variable-rate loans amounting to RMB60,000,000 (31 December 2014: RMB60,000,000) as at 31 December 2015.

In addition, bills receivables (including those issued among subsidiaries of the Group for intra-group transactions) amounted to RMB602,650,000 as at 31 December 2015 (31 December 2014: RMB107,633,000) were discounted to banks to obtain borrowings. Bills receivables (including those issued among subsidiaries of the Group for intra-group transactions) with carrying amount of RMB4,716,199,000 as at 31 December 2015 (31 December 2014: RMB2,118,054,000) were endorsed to suppliers on a full recourse basis. Details are set out in Notes 26 and 32.

43. CAPITAL COMMITMENTS

	2015 RMB'000	2014 RMB'000
Capital expenditure of the Group in respect of acquisition property, plant and equipment — contracted for but not provided in the consolidated financial statements	**458,297**	468,285

44. OPERATING LEASE COMMITMENTS

The Group as lessee

The rental payment paid for the year ended 31 December 2015 amounted to approximately RMB19,561,000 (2014: RMB17,601,000) are paid for certain of its land and office properties.

As at 31 December 2015, the Group had commitments for future minimum lease payments in respect of rented land and office properties which fall due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**17,015**	17,601
In the second to fifth year inclusive	**13,215**	30,711
Over fifth year inclusive	**6,094**	6,858
	36,324	55,170

Operating lease payments represent rentals payable by the Group for certain of its land and office properties. Leases are negotiated for an average terms of between 1 to 17 years and rental are fixed throughout the lease term.

44. OPERATING LEASE COMMITMENTS (Cont'd)

The Group as lessor

The rental income earned for the year ended 31 December 2015 amounted to approximately RMB377,000 (2014: RMB2,058,000) are generated from rental of certain plant and machinery.

As at 31 December 2015, the Group had contracted with tenants for the following future minimum lease payments:

	2015 RMB'000	2014 RMB'000
Within one year	785	1,800

45. RETIREMENT BENEFIT SCHEMES

The PRC employees of the Group are members of state-managed retirement benefit schemes operated by the local governments. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit schemes to fund the benefits. The retirement benefit cost charged to profit or loss for the year ended 31 December 2015, amounts to RMB30,124,000 (2014: RMB29,210,000).

46. RELATED PARTY DISCLOSURES

(a) Apart from the amounts due from an associate as disclosed in Note 27, and guarantees provided by the Group to related parties and guarantees provided by the related parties to the Group as disclosed in Notes 34 and 36, options granted by Tianrui Group as disclosed in Note 24, during the year, the Group had the following significant transactions with the related parties.

Nature of transaction	Name of related company	Notes	2015 RMB'000	2014 RMB'000
Purchase of goods	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	**114,027**	142,567
Office rental expenses	Tianrui Group Company Limited (天瑞集團有限公司)	ii	**1,800**	1,800
Sales of goods	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	**8,857**	16,082

The Group provided financial guarantee to banks in respect of bank facilities of Tianrui Foundry, Tianrui Coking, Tianrui Travel and Tianrui Group for a period of 5 years, 7 years, 10 years and 1 year respectively. As at 31 December 2015, the bank facilities utilised by Tianrui Foundry, Tianrui Coking, Tianrui Travel and Tianrui Group amounted to Nil (31 December 2014: RMB195,000,000), RMB337,000,000 (31 December 2014: RMB432,000,000), RMB270,650,000 (31 December 2014: RMB93,650,000) and RMB40,000,000 (31 December 2014: Nil) respectively (see note 34). Tianrui Foundry, Tianrui Coking and Tianrui Travel are subsidiaries of Tianrui Group.

Notes:

i. An associate of the Group;

ii. Tianrui Group Company Limited ("Tianrui Group") is an intermediate controlling shareholder of the Company, which is controlled by Mr. Li Liufa, a non-executive director of the Company.

46. RELATED PARTY DISCLOSURES (Cont'd)

(b) Remuneration to key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly including directors of the Group. The key management personnel compensations are as follows:

	2015 RMB'000	2014 RMB'000
Short-term benefits	6,092	6,802
Retirement benefits	70	109
	6,162	6,911

47. CAPITAL RISK MANAGEMENT

The management manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the short term debentures, borrowings, mid-term debentures, long- term corporate bonds (details refer to Notes 31, 32, 35 and 36), and equity attributable to owners of the Company, comprising share capital and reserves and retained earnings.

The management reviews the capital structure on a yearly basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

48. FINANCIAL INSTRUMENTS

48.1 Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables (including pledged bank balances and cash and bank balances)	**8,413,907**	5,888,388
Derivative financial assets	**678,809**	—
Financial liabilities		
Amortised cost	**18,879,995**	16,426,233
Financial guarantee contract	**10,637**	9,320

48.2 Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, pledged bank balances, cash and bank balances, derivative financial assets, trade and other payables, short term debentures, mid-term debentures, borrowings, obligations under finance leases and long-term corporate bonds. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to short term debentures, fixed-rate borrowings, obligations under finance leases, mid-term debentures, long-term corporate bonds and payables for mining rights (see Notes 31, 32, 33, 35, 36 and 37 for details).

Besides, the Group is also exposed to cash flow interest rate risk in relation to pledged bank balances, bank balances and variable-rate borrowings. (see Notes 28, 29 and 32 for details).

The Group closely monitors the interest rate trend and aims to lower the effective interest rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Benchmark Interest Rate announced by the People's Bank of China and LIBOR.

48. FINANCIAL INSTRUMENTS (Cont'd)

48.2 Financial risk management objectives and policies (Cont'd)

Interest rate risk (Cont'd)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. No sensitivity analysis has been presented for bank balances as the Directors consider that the fluctuation in interest rates on bank balances is minimal. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis points increase or decrease in LIBOR and Benchmark Interest Rate, as appropriate, represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would be decreased/increased by approximately RMB3,191,000 (2014: decreased/increased RMB2,997,000) and the amount of borrowing costs capitalised in respect of the Group's qualifying assets would be increased/decreased by approximately RMB396,000 for the year ended 31 December 2015 (2014: RMB305,000).

Currency risk

The Group has certain pledged bank balances and other receivables denominated in Hong Kong Dollar ("HK Dollar") and borrowings denominated in United States Dollar ("US Dollar"), hence exposures to exchange rate fluctuation arises. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, management monitors the HK Dollar and US Dollar exposure closely and will consider hedging significant currency exposure should the need arise.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the end of the year are as follows:

	2015 RMB'000	2014 RMB'000
Assets		
HK Dollar	**10,437**	29,818
US Dollar	**154**	95,510
	10,591	125,328
Liabilities		
HK Dollar	**66,185**	35,925
US Dollar	**704,211**	671,266
	770,396	707,191

48. FINANCIAL INSTRUMENTS (Cont'd)

48.2 Financial risk management objectives and policies (Cont'd)

Currency risk (Cont'd)

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB against HK Dollar and US Dollar.

The following table details the Group's sensitivity to a 6% (2014: 5%) increase or decrease in RMB against HK Dollar and US Dollar. The percentage represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes outstanding foreign currency denominated monetary items, and adjust its translation at the end of the reporting period for 6% (2014: 5%) change in foreign currency rate. A positive number below indicates an increase in post-tax profit where RMB strengthens 6% (2014: 5%) against HK Dollar and US Dollar. For a 6% (2014: 5%) weakening of RMB against HK Dollar and US Dollar, there would be an equal and opposite impact on the profit and the balances below would be negative.

	2015 **RMB'000**	2014 RMB'000
Post-tax profit for the year	**39,550**	25,422

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 50.

In order to minimise the credit risk arising from the respective recognised financial assets as stated in the consolidated statement of financial position, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

48. FINANCIAL INSTRUMENTS (Cont'd)

48.2 Financial risk management objectives and policies (Cont'd)

Credit risk (Cont'd)

In order to minimize the credit risk arising from the contingent liabilities in relation to financial guarantee issued by the Group, a special committee has been established by the Group to review and approve the guarantee to be issued. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on pledged bank balances and bank balances are limited because the counterparties are reputable banks or a financial institution with high credit ratings assigned by international credit-rating agencies.

Other than the above, the Group has no other significant concentration of credit risk with exposure spread over a large number of counterparties and customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings. When there is non-compliance with loan covenants, the management would liaise with lenders and follow up actions were taken promptly as appropriate to ensure sufficient liquidity is available if the lender demanded immediate repayment.

The Group has net current liabilities as at 31 December 2015, which exposed the Group to liquidity risk. In order to mitigate the liquidity risk, the Directors regularly monitors the operating cash flows of the Group to meet its liquidity requirement in the short and long term. The Group has unused banking facilities of RMB1,595,000,000 in aggregate available which have been obtained before 31 December 2015. The Directors are of the view that the Group is able to identify investors and issue the debenture of RMB4,650,000,000 in the year 2016 (Note 2).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

48. FINANCIAL INSTRUMENTS (Cont'd)

48.2 Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

The tables include both interest and principal cash flows. To the extent that interest flows are variable-rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average interest rate	On demand or 0–30 days	31 to 180 days	181 to 365 days	1–2 years	2–3 years	Over 3 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2015									
Trade and other payables	—	1,427,781	1,066,653	1,349,413	—	—	—	3,843,847	3,843,847
Borrowings									
— fixed-rate	5.16	170,000	1,427,386	1,090,625	—	—	—	2,688,011	2,629,212
— variable-rate	4.87	200,000	139,174	1,417,651	134,239	16,893	17,715	1,925,672	1,860,211
Other payables — fixed rate	7.3	—	4,500	—	9,336	—	—	13,836	12,900
Short term debentures	6.56	503,333	2,845,504	530,000	—	—	—	3,878,837	3,792,019
Mid-term debentures	8.06	—	432,247	1,083,543	2,048,333	542,500	—	4,106,623	3,684,171
Long-term corporate bonds	6.78	12,017	—	44,625	203,700	2,203,700	1,215,299	3,679,341	3,057,635
Obligations under finance leases	5.51	29,465	—	29,665	29,640	—	—	88,770	84,245
		2,342,596	5,915,464	5,545,522	2,425,248	2,763,093	1,233,014	20,224,937	18,964,240
Financial guarantee liabilities		1,522,000	—	—	—	—	—	1,522,000	10,637
As at 31 December 2014									
Trade and other payables	—	835,460	3,076,503	623,035	—	—	—	4,534,998	4,534,998
Borrowings									
— fixed-rate	6.90	253,000	1,118,518	2,085,624	—	—	—	3,457,142	3,325,550
— variable-rate	5.24	200,000	268,474	1,075,981	70,179	147,692	35,876	1,798,202	1,720,265
Other payables — fixed rate	7.3	10,050	8,400	—	—	10,018	—	28,468	27,300
Short term debentures	8.33	—	2,395,850	—	—	—	—	2,395,850	2,296,446
Mid-term debentures	7.45	—	222,112	537,250	1,529,024	610,111	—	2,898,497	2,492,595
Long-term corporate bonds	7.08	—	—	—	—	—	3,112,491	3,112,491	2,029,079
Obligations under finance leases	6.72	30,030	—	30,031	60,061	30,030	—	150,152	135,980
		1,328,540	7,089,857	4,351,921	1,659,264	797,851	3,148,367	18,375,800	16,562,213
Financial guarantee liabilities		1,482,000	—	—	—	—	—	1,482,000	9,320

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

48. FINANCIAL INSTRUMENTS (Cont'd)

48.3 Fair value measurements

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's derivatives are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of derivatives are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at (RMB'000)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2015	31 December 2014				
The option granted by the shareholder to acquire Henan Tongli classified as derivative financial assets *(see Note 24)*	Assets 467,505	—	Level 3	The binomial option pricing model. The key inputs are stock price volatility rate, spot price, exercise price, risk free rate, dividend yield, exit rate, exercise multiples, time to maturity and vesting date.	Stock price volatility rate	note i
The option of granted by the shareholder to acquire Xindeng Cement classified as derivative financial assets *(see Note 24)*	Assets 211,304	—	Level 3	The binomial option pricing model. The key inputs are stock price volatility rate, spot price, exercise price, risk free rate, dividend yield, exit rate, exercise multiples, time to maturity and vesting date.	Stock price and stock price volatility rate	note ii

Note:

i A slight increase in the stock price volatility rate used in isolation would result in an increase in the fair value. A 5% increase in the stock price volatility rate, holding all other variables constant, would increase the carrying amount of the option by RMB13,046,000. A 5% decrease in the stock price volatility rate, holding all other variables constant, would decrease the carrying amount of the option by RMB12,945,000.

ii A slight increase in the stock price and stock price volatility rate used in isolation would result in an increase in the fair value. A 5% increase in the stock price and stock price volatility rate, holding all other variables constant, would increase the carrying amount of the option by RMB21,841,000 and RMB7,189,000 respectively. A 5% decrease in the stock price and stock price volatility rate, holding all other variables constant, would decrease the carrying amount of the option by RMB21,100,000 and RMB6,795,000 respectively.

There is no transfer between level 2 and level 3 during the current and prior years.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of assets are disclosed above.

48. FINANCIAL INSTRUMENTS (Cont'd)

48.3 Fair value measurements (Cont'd)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Cont'd)

Reconciliation of Level 3 fair value measurements

As detailed in Note 24, the options granted by Tianrui Group are classified as financial assets at FVTPL. The options were measured at fair value on Level 3 fair value measurement.

The following are reconciliation of the options:

	2015 RMB'000	2014 RMB'000
Initial recognition	229,240	—
Total gains in profit or loss	449,569	—
Closing balance	678,809	—

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Except as disclosed in Notes 31, 32, 35 and 36, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

49. ACQUISITION OF SUBSIDIARIES IN YEAR 2014

(a) On 22 January 2014, the Group acquired 60% of the equity interest of Tiger Cement from an independent third party for a consideration of RMB7,200,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB3,974,000. Tiger Cement is engaged in the manufacture and sale of cement.

(b) On 19 May 2014, the Group acquired 100% of the equity interest Haicheng Cement from two independent third parties for a consideration of RMB371,500,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB71,161,000. Haicheng Cement is engaged in the manufacture and sale of cement and clinker.

(c) On 19 May 2014, the Group acquired 100% of the equity interest of Tianying Mining from two independent third parties for a consideration of RMB6,000,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB5,637,000. Tianying Mining is engaged in the manufacture and sale of minestone material.

(d) On 18 August 2014, the Group acquired 100% of the equity interest of Zhuanghe Cement from two independent third parties for a consideration of RMB57,000,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB30,059,000. Zhuanghe Cement is engaged in the manufacture and sale of cement.

The non-controlling interests in these acquisitions were measured at their proportionate share of net assets acquired. Goodwill arose in these acquisitions because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of these companies. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

49. ACQUISITION OF SUBSIDIARIES IN YEAR 2014 (Cont'd)

	Tiger Cement RMB'000	Haicheng Cement RMB'000	Tianying Mining RMB'000	Zhuanghe Cement RMB'000	Total RMB'000
Consideration transferred:					
Total consideration satisfied by					
Cash consideration paid	—	—	6,000	44,000	50,000
Deposit paid in year 2013	7,200	347,500	—	—	354,700
Payables due within 1 year	—	24,000	—	13,000	37,000
	7,200	371,500	6,000	57,000	441,700
Assets acquired and liabilities recognised at the date of acquisition are as follows:					
Net assets acquired:					
Property, plant and equipment	22,662	310,263	210	36,929	370,064
Prepaid lease payments	—	23,687	—	3,325	27,012
Inventories	—	24,849	300	4,080	29,229
Trade and other receivables	2,343	7,162	2,501	181	12,187
Cash and bank balances	2,109	1,320	62	6,338	9,829
Trade and other payables	(21,738)	(50,293)	(2,710)	(8,721)	(83,462)
Borrowings	—	(5,000)	—	(11,000)	(16,000)
Deferred tax liabilities	—	(11,649)	—	(4,191)	(15,840)
	5,376	300,339	363	26,941	333,019
Goodwill arising on acquisition:					
Consideration transferred	7,200	371,500	6,000	57,000	441,700
Plus: non-controlling interests	2,150	—	—	—	2,150
Less: net assets acquired	(5,376)	(300,339)	(363)	(26,941)	(333,019)
Goodwill	3,974	71,161	5,637	30,059	110,831
Net cash outflow on acquisition:					
Net cash outflow arising on acquisition					
Cash consideration paid	—	—	(6,000)	(44,000)	(50,000)
Cash and cash equivalents acquired	2,109	1,320	62	6,338	9,829
	2,109	1,320	(5,938)	(37,662)	(40,171)

The fair value of trade and other receivables at the date of acquisition amounted to RMB12,187,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB12,187,000 at the date of acquisition.

Included in the profit for the year is a loss of RMB8 million attributable to the additional business generated by these acquired entities.

49. ACQUISITION OF SUBSIDIARIES IN YEAR 2014 (Cont'd)

Revenue for the year includes RMB143 million generated from these acquired entities. Had the acquisition been completed on 1 January 2014, total group revenue for the year would have been RMB9,022 million, and profit for the year would have been RMB532 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had these entities acquired at the beginning of the year 2014, the Directors have calculated depreciation of property, plant and equipment acquired and amortisation of prepaid lease payments on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

50. CONTINGENT LIABILITIES

	2015 **RMB'000**	2014 RMB'000
Guarantees given to banks in respect of banking facilities granted to:		
Related parties *(Note 34)*	**1,472,000**	1,432,000
Third party	**50,000**	50,000
	1,522,000	1,482,000

The management considers the risk of the contingent liabilities and recognised financial guarantee liabilities of RMB10,637,000 (2014: RMB9,320,000) in the consolidated financial statement.

51. MAJOR NON-CASH TRANSACTIONS

(a) The Group was granted the option to acquire New Business from Tianrui Group as detailed in Note 24. The total fair values of the options to acquire Henan Tongli and Xindeng Cement at initial recognition was estimated to be RMB229,240,000 (2014: Nil) which was considered as a deemed contribution from Tianrui Group and credited to other reserves on the consolidated statement of changes in equity during the year.

(b) The Group provided finance guarantee to banks in respect of bank facilities of certain subsidiaries of Tianrui Group as detailed in Note 34. The total fair values of financial guarantee contracts at initial recognition of RMB3,807,000 (2014: 2,787,000) were considered as deemed distribution to Tianrui Group and debited to other reserves on the consolidated statement of changes in equity during the year.

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) The Company has the following subsidiaries:

Name of company	Place and date of incorporation/establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power 2015 %	2014 %	Principal activities
Subsidiaries					
Zhong Yuan Cement Company Limited 中原水泥有限公司	British Virgin Islands 7 April 2010	US$1	**100**	100	Investment holding
China Tianrui (Hong Kong) Company Limited 中國天瑞(香港)有限公司	Hong Kong 16 April 2010	US$1	**100**	100	Investment holding
Tianrui Group Cement Company Limited 天瑞集團水泥有限公司	The PRC 28 September 2000	US$594,052,471	**100**	100	Manufacture and sale of cement and clinker
Lushan Xian Antai Cement Company Limited 魯山縣安泰水泥有限公司*	The PRC 16 September 1998	RMB21,357,000	**100**	100	Manufacture and sale of cement
Tianrui Group Ruzhou Cement Company Limited 天瑞集團汝州水泥有限公司*	The PRC 3 December 2002	RMB180,000,000	**100**	100	Manufacture and sale of cement and clinker
Weihui Shi Tianrui Cement Company Limited 衛輝市天瑞水泥有限公司*	The PRC 30 June 2003	RMB240,000,000	**100**	100	Manufacture and sale of cement and clinker
Tianrui Group Zhoukou Cement Company Limited 天瑞集團周口水泥有限公司*	The PRC 10 September 2003	RMB81,000,000	**100**	100	Manufacture and sale of cement
Shangqiu Tianrui Cement Company Limited 商丘天瑞水泥有限公司*	The PRC 9 June 2004	RMB63,000,000	**100**	100	Manufacture and sale of cement
Zhengzhou Tianrui Cement Company Limited 鄭州天瑞水泥有限公司*	The PRC 17 June 2004	RMB55,000,000	**100**	100	Manufacture and sale of cement
Tianrui Group Yuzhou Cement Company Limited 天瑞集團禹州水泥有限公司*	The PRC 4 August 2004	RMB250,000,000	**100**	100	Manufacture and sale of cement and clinker
Dalian Tianrui Cement Company Limited 大連天瑞水泥有限公司*	The PRC 8 December 2004	RMB350,000,000	**100**	100	Manufacture and sale of cement and clinker
Yingkou Tianrui Cement Company Limited 營口天瑞水泥有限公司*	The PRC 4 July 2006	RMB111,300,000	**100**	100	Manufacture and sale of cement
Tianrui Group Nanzhao Cement Company Limited 天瑞集團南召水泥有限公司*	The PRC 23 January 2007	RMB200,000,000	**100**	100	Manufacture and sale of cement and clinker
Yuzhou Shi Zhongjin Mining Company Limited 禹州市中錦礦業有限公司*	The PRC 23 April 2007	RMB1,000,000	**100**	100	Inactive
Liaoyang Tianrui Cement Company Limited 遼陽天瑞水泥有限公司*	The PRC 25 April 2007	RMB213,680,000	**100**	100	Manufacture and sale of cement and clinker
Tianrui Group Xuchang Cement Company Limited 天瑞集團許昌水泥有限公司*	The PRC 16 August 2007	RMB80,000,000	**100**	100	Manufacture and sale of cement
Tianrui Group Guangshan Cement Company Limited 天瑞集團光山水泥有限公司*	The PRC 14 December 2007	RMB280,000,000	**100**	100	Manufacture and sale of cement and clinker
Tianrui Group Zhengzhou Cement Company Limited 天瑞集團鄭州水泥有限公司*	The PRC 23 April 2008	RMB520,000,000	**100**	100	Manufacture and sale of cement and clinker

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

(a) The Company has the following subsidiaries: (Cont'd)

Name of company	Place and date of incorporation/establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power 2015 %	2014 %	Principal activities
Subsidiaries (cont'd)					
Tianrui Group Ningling Cement Company Limited 天瑞集團寧陵水泥有限公司*	The PRC 9 July 2009	RMB20,000,000	100	100	Manufacture and sale of cement
Tianjin Tianrui Cement Company Limited 天津天瑞水泥有限公司*	The PRC 5 November 2009	RMB100,000,000	60	60	Manufacture and sale of cement
Pingdingshan Tianrui Yaodian Cement Company Limited 平頂山天瑞姚電水泥有限公司*	The PRC 17 June 2009	RMB20,000,000	91	91	Manufacture and sale of cement
Liaoyang Tianrui Weiqi Cement Company Limited 遼陽天瑞威企水泥有限公司*	The PRC 22 June 2006	RMB39,000,000	100	100	Manufacture and sale of cement
Liaoyang Tianrui Chengxing Cement Company Limited 遼陽天瑞誠興水泥有限公司*	The PRC 18 May 2006	RMB20,000,000	70	70	Manufacture and sale of cement
Liaoyang Tianrui Liata Cement Company Limited 遼陽天瑞遼塔水泥有限公司*	The PRC 24 July 2007	RMB205,000,000	100	100	Manufacture and sale of cement and clinker
Liaoyang Tianrui Liaodong Cement Company Limited 遼陽天瑞遼東水泥有限公司*	The PRC 28 February 2003	RMB10,000,000	100	100	Manufacture and sale of cement
Liaoyang Tianrui Liaota Mining Company Limited 遼陽天瑞遼塔礦業有限公司*	The PRC 22 February 2000	RMB500,000	100	100	Manufacture and sale of cement
Dalian Tianrui Jinhaian Cement Company Limited 大連天瑞金海岸水泥有限公司*	The PRC 19 December 2002	RMB45,000,000	100	100	Manufacture and sale of cement
Xinyang Tianrui Cement Company Limited 信陽天瑞水泥有限公司*	The PRC 27 December 2000	RMB18,000,000	70	70	Manufacture and sale of cement
Haicheng The First Cement Company Limited 海城市第一水泥有限公司*	The PRC 1 April 1999	RMB100,000,000	100	100	Manufacture and sale of cement and clinker
Haicheng Tianying Construction Stone Mining Company Limited 海城市天鷹建築石材採掘有限公司*	The PRC 29 June 2012	RMB150,000	100	100	Manufacture and sale of stone material
Shenyang Tiger Cement Company Limited 瀋陽老虎水泥有限公司*	The PRC 14 December 2001	RMB20,330,000	60	60	Manufacture and sale of cement
Zhuanghe Tianrui Cement Company Limited 莊河天瑞水泥有限公司*	The PRC 7 August 2002	RMB20,000,000	100	100	Manufacture and sale of cement
Tianrui Group Technology Company Limited 天瑞集團信息科技有限公司*	The PRC 2 February 2015	RMB3,000,000	90	N/A	Software development, sales and related service

Note:

* The entities are subsidiaries of Tianrui Cement.

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

(a) The Company has the following subsidiaries: (Cont'd)

Three subsidiaries of the Group issued debt securities at the end of the year, which including (i) Tianrui Group Cement Company Limited issued RMB3.8 billion of short term debentures (2014: RMB2.3 billion), RMB3.45 billion of mid-term debentures (2014: RMB2.0 billion), and RMB3 billion of long-term corporate bonds (2014: RMB 2 billion); (ii) Yingkou Tianrui Cement Company Limited issued RMB250 millions of mid-term debentures (2014: 250 millions) and (iii) Tianrui Group Xiaoxian Cement Company Limited has issued RMB250 millions of mid-term debentures in 2014 (2015: Nil).

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		31/12/2015	31/12/2014	2015 RMB'000	2014 RMB'000	31/12/2015 RMB'000	31/12/2014 RMB'000
Tianjin Tianrui Cement Company Limited 天津天瑞水泥有限公司	The PRC	40%	40%	(22,729)	(21,951)	(104,565)	(81,459)
Individually immaterial subsidiaries with non-controlling interests						52,343	58,811
						(52,222)	(22,648)

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests (Cont'd)

Tianjin Tianrui Cement Company Limited:

	2015 RMB'000	2014 RMB'000
Current assets	29,750	41,861
Non-current assets	581,897	612,672
Current liabilities	(697,728)	(683,410)
Non-current liabilities	(119,513)	(174,772)
Accumulated deficits	(260,472)	(203,649)
Revenue	136,343	247,982
Expenses	193,166	302,860
Loss and total comprehensive expense for the year	(56,823)	(54,878)
Net cash inflow (outflow) from operating activities	19,552	(767)
Net cash used in investing activities	(1,293)	(2,610)
Net cash (used in) from financing activities	(10,009)	5,240
Net cash inflow	8,250	1,863

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period includes:

	At 31 December	
	2015	2014
	RMB'000	RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary *(note)*	**1,925,778**	1,257,927
Equipment	**295**	247
Deposits paid	**342,889**	330,577
Derivative financial assets	**678,809**	—
TOTAL NON-CURRENT ASSETS	**2,947,771**	1,588,751
CURRENT ASSET		
Other receivables	**371**	9,233
Cash and bank balances	**127**	9,943
TOTAL CURRENT ASSETS	**498**	19,176
CURRENT LIABILITIES		
Borrowings — due within one year	**301,607**	291,887
Amounts due to a subsidiary	**1,214,994**	58,204
TOTAL CURRENT LIABILITIES	**1,516,601**	350,091
NET CURRENT LIABILITIES	**(1,516,103)**	(330,915)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,431,668**	1,257,836
CAPITAL AND RESERVES		
Share capital *(Note 41)*	**19,505**	19,505
Reserves	**1,345,978**	1,202,406
TOTAL EQUITY	**1,365,483**	1,221,911
NON-CURRENT LIABILITIES		
Long-term corporate bonds	**66,185**	35,925
NON-CURRENT LIABILITIES	**66,185**	35,925
	1,431,668	1,257,836

Note: As at 31 December 2015, the Company's balance of investment in a subsidiary represents its investment cost and the deemed capital contribution arising from the waiver of amounts due from a subsidiary pursuant to the relevant written statement made by the Company during the year. As at 31 December 2014, the Company's balance of investment in a subsidiary represents its investment cost.

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Cont'd)

Movement in reserves

	Share premium RMB'000	Other reserve RMB'000	Accumulated (deficits) earnings RMB'000	Total RMB'000
At 1 January 2014	1,275,536	—	(50,163)	1,225,373
Loss and total comprehensive expense for the year	—	—	(22,967)	(22,967)
At 31 December 2014	1,275,536	—	(73,130)	1,202,406
Profit and total comprehensive income for the year	—	—	418,521	418,521
Transfer	(1,270,896)	—	1,270,896	—
Dividends distribution	—	—	(504,189)	(504,189)
Options granted by the shareholder *(note 24)*	—	229,240	—	229,240
At 31 December 2015	4,640	229,240	1,112,098	1,345,978

54. EVENT AFTER THE REPORTING PERIOD

On 10 January 2016, the Group acquired 100% of the equity interest of a subsidiary from three independent third parties for a consideration of RMB86,000,000. The subsidiary acquired is engaged in the manufacture and sale of cement.

Financial Summary

FINANCIAL SUMMARY — IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS.

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**6,195,093**	8,950,286	8,661,166	7,590,897	8,263,395
Profit before tax	**312,526**	752,753	729,323	1,027,051	1,686,553
Income tax expense	**(29,021)**	(212,635)	(246,278)	(264,262)	(413,365)
Profit for the year	**283,505**	540,118	483,045	762,789	1,273,188
Attributable to:					
Owners of the Company	**313,079**	564,938	558,955	783,393	1,274,538
Non-controlling interests	**(29,574)**	(24,820)	(75,910)	(20,604)	(1,350)
	283,505	540,118	483,045	762,789	1,273,188

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**27,090,642**	24,663,875	21,818,248	18,840,296	17,237,845
Total liabilities	**(19,672,581)**	(17,250,563)	(14,947,747)	(12,496,836)	(11,683,235)
Total equity	**7,418,061**	7,413,312	6,870,501	6,343,460	5,554,610
Attributable to:					
Owners of the Group	**7,470,283**	7,435,960	6,873,809	6,323,564	5,515,960
Non-controlling interests	**(52,222)**	(22,648)	(3,308)	19,896	38,650
	7,418,061	7,413,312	6,870,501	6,343,460	5,554,610