CHINA TIANRUI GROUP CEMENT COMPANY LIMITED
中國天瑞集團水泥有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1252)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

SUMMARY/FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2017	2016	**Percentage of Change**
	RMB'000	*RMB'000*	*(%)*
Revenue	**8,420,551**	6,008,605	40.1%
Gross profit	**2,396,894**	1,516,804	58.0%
EBITDA	**3,334,681**	2,131,909	56.4%
Profit	**992,770**	249,570	297.8%
Of which: Profit attributable to owners of the Company	**1,001,764**	295,812	238.6%
Basic earnings per share *(RMB)*	**0.37**	0.12	208.3%

	As at 31 December		
	2017	2016	
	RMB'000	*RMB'000*	
Total assets	**25,904,081**	24,116,401	7.4%
Of which: Current assets	**10,661,688**	7,650,108	39.4%
Total liabilities	**15,968,310**	16,476,711	-3.1%
Of which: Current liabilities	**14,440,872**	12,109,593	19.3%
Total equity	**9,935,771**	7,639,690	30.1%
Of which: Equity attributable to owners of the Company	**9,820,855**	7,758,372	26.6%

The board (the "**Board**") of directors (the "**Directors**") of China Tianrui Group Cement Company Limited (the "**Company**") is pleased to announce the audited financial results of the Company and its subsidiaries (the "**Group**" or "**we**" or "**our**") for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Revenue	4, 5	**8,420,551**	6,008,605
Cost of sales		**(6,023,657)**	(4,491,801)
Gross profit		**2,396,894**	1,516,804
Other income	6	**503,513**	474,509
Other gains and losses	7	**(154,631)**	(52,096)
Share of profit of an associate		**4,502**	4,252
Gains on fair value change of derivative financial assets		**451,279**	82,256
Distribution and selling expenses		**(340,979)**	(314,125)
Administrative expenses		**(421,099)**	(363,439)
Other expenses		**(79,868)**	(68,717)
Finance costs	8	**(1,005,586)**	(927,809)
Profit before tax		**1,354,025**	351,635
Income tax expenses	9	**(361,255)**	(102,065)
Profit and total comprehensive income for the year	10	**992,770**	249,570
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**1,001,764**	295,812
Non-controlling interests		**(8,994)**	(46,242)
		992,770	249,570

		2017 *RMB*	2016 *RMB*
Earnings per share			
Basic	11	**0.37**	0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**11,959,295**	11,903,679
Deposits and advances		**1,017,138**	2,204,893
Prepaid lease payments		**872,780**	801,942
Mining rights		**628,845**	249,902
Goodwill		**307,642**	275,489
Other intangible assets		**4,989**	5,798
Interests in associates		**262,419**	109,523
Derivative financial assets		**—**	761,065
Deferred tax assets		**189,285**	154,002
		15,242,393	16,466,293
CURRENT ASSETS			
Inventories		**949,263**	750,671
Trade and other receivables	13	**3,642,912**	2,742,283
Amount due from an associate		**625,992**	323,774
Amount due from the ultimate holding company		**1,212,344**	—
Pledged bank balances		**3,400,433**	3,107,202
Cash and bank balances		**830,744**	726,178
		10,661,688	7,650,108
CURRENT LIABILITIES			
Trade and other payables	14	**3,248,716**	3,584,279
Mid-term debentures — due within one year		**2,369,828**	2,275,183
Long-term corporate bonds — due within one year		**2,998,515**	—
Borrowings		**5,382,423**	5,921,033
Obligations under finance leases		**—**	28,861
Current tax liabilities		**418,130**	273,362
Financial guarantee contracts		**23,260**	26,875
		14,440,872	12,109,593
NET CURRENT LIABILITIES		**(3,779,184)**	(4,459,485)
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,463,209**	12,006,808

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**2017** **RMB'000**	2016 *RMB'000*
CAPITAL AND RESERVES			
Share capital		**24,183**	19,505
Share premium and reserves		**9,796,672**	7,738,867
Equity attributable to owners of the Company		**9,820,855**	7,758,372
Non-controlling interests		**114,916**	(118,682)
TOTAL EQUITY		**9,935,771**	7,639,690
NON-CURRENT LIABILITIES			
Borrowings		**1,074,662**	528,684
Mid-term debentures		**—**	500,000
Long-term corporate bonds		**72,305**	3,075,350
Deferred tax liabilities		**195,346**	66,527
Deferred income		**166,132**	174,717
Provision for environmental restoration		**18,993**	21,840
		1,527,438	4,367,118
		11,463,209	12,006,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 Tianrui Tower, No. 63, Guangcheng East Road, Ruzhou City, Henan 467500, the People's Republic of China ("PRC").

The Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sale of cement and clinker. Its immediate holding company is Yukuo Company Limited and its ultimate parent as at 31 December 2017 is Tianrui Group Company Limited ("Tianrui Group"), which is controlled by Mr. Li Liufa, a non-executive director of the Company.

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

These consolidated financial statements have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of RMB3,779,184,000 as at 31 December 2017. The Group's net current liabilities position as at 31 December 2017 was mainly attributable to trade and other payables, borrowings, debentures and corporate bonds repayable within one year.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 31 December 2017, the Group's cash and cash equivalents amounted to RMB830,744,000. Meanwhile, the Group recorded net operating cash inflows for the year ended 31 December 2017 and 2016.

As at 31 December 2017, the Group had unutilised banking facilities of RMB400,000,000 from Ping An Bank Company Limited, which is available until 9 November 2018. In addition, several banks have communicated with the Group that certain banking facilities available for the Group have been approved internally and can be utilised upon request, as follows:

- a banking facility of RMB500,500,000 from Construction Bank of China, which is available until 5 August 2018;
- a banking facility of RMB300,000,000 from the Agriculture Bank of China, which is available until 6 September 2018; and

- a banking facility of RMB40,000,000 from the Industrial & Commercial Bank of China Company Limited, which is available until 12 December 2018.

The directors of the Company have reviewed the working capital forecast of the Group covering a period of not less than 12 months from 31 December 2017. Based on the forecast, the sufficiency of the Group's working capital for the next 12 months depends on the Group's ability to obtain the anticipated cash flows from the Group's operating activities and the successful renewal of 70% of the existing bank loans upon maturity. The directors of the Company, after taking into account the reasonably possible changes in the operational performance, the availability of borrowings and the expected renewal of the short-term borrowings, are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due. Accordingly, the directors of the Company consider that the preparation of these consolidated financial statements on a going concern basis is appropriate.

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

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

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, include in cash flows from financing activities.

Specially, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other business; (iii) the effect of change in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balance of these items is provided in the note to the Group's consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

4. REVENUE

Revenue represents the amount received and receivable for goods sold to external customers, net of sales tax.

An analysis of the Group's revenue for the year is as below:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Sales of cement	**7,868,229**	5,736,476
Sales of clinker	**552,322**	272,129
	8,420,551	6,008,605

5. SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports, which are regularly reviewed by the Company's board of directors (being the chief operating decision maker) in order to allocate resources to the operating segments and to assess their performance.

The Company's board of directors 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.

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

	Segment revenue Year ended 31 December		Segment profit/(loss) Year ended 31 December	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Central China	**6,444,923**	4,532,904	**1,125,241**	361,252
Northeastern China	**1,975,628**	1,475,701	**(228,926)**	(46,374)
Total	**8,420,551**	6,008,605	**896,315**	314,878
Unallocated corporate administrative expenses			**(39,471)**	(20,807)
Unallocated other gains and losses			**45,902**	(24,692)
Unallocated gain on fair value change of derivative financial assets			**451,279**	82,256
Profit before tax			**1,354,025**	351,635

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in the consolidated financial statements. Segment profit represents the profit before tax without allocation of certain corporate administrative expense including directors' emoluments, certain 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.

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

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
SEGMENT ASSETS		
Central China	**18,139,813**	15,970,760
Northeast China	**6,036,410**	7,109,872
Total segment assets	**24,176,223**	23,080,632
Amount due from the ultimate holding company	**1,212,344**	—
Derivative financial assets	**—**	761,065
Interests in associates	**262,419**	109,523
Deferred tax assets	**189,285**	154,002
Unallocated other receivables	**9,793**	1,630
Unallocated cash and bank balances	**54,017**	9,549
Total assets	**25,904,081**	24,116,401
SEGMENT LIABILITIES		
Central China	**11,630,341**	12,259,633
Northeast China	**3,713,036**	3,862,091
Total segment liabilities	**15,343,377**	16,121,724
Deferred tax liabilities	**195,346**	66,527
Current tax liabilities	**418,130**	273,362
Unallocated other payables	**11,457**	15,098
Total liabilities	**15,968,310**	16,476,711

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, amount due from the ultimate holding company interests in associates, deferred tax assets, certain unallocated other receivables, and certain unallocated cash and bank balances; and

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

Other segment information

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

For the year ended 31 December 2017

	Central China *RMB'000*	**Northeast China** *RMB'000*	**Total** *RMB'000*
Additions to property, plant & equipment	**128,899**	**40,002**	**168,901**
Additions to prepaid lease payments	**165**	**3,452**	**3,617**
Additions to mining rights	**27,075**	**334,182**	**361,257**
Impairment loss on goodwill	**—**	**154,951**	**154,951**
Impairment loss on property, plant and equipment	**—**	**58,251**	**58,251**
Finance costs	**731,618**	**273,968**	**1,005,586**
Provision for environmental restoration	**1,307**	**383**	**1,690**
Depreciation and amortisation before capitalisation	**708,518**	**266,552**	**975,070**
(Reversal of provision)/provision for allowance for bad and doubtful debts	**(949)**	**6,572**	**5,623**
Gain on disposal of property, plant and equipment, net	**(1,001)**	**(420)**	**(1,421)**
Value-added tax refund	**(268,447)**	**(38,356)**	**(306,803)**
Incentive subsidies	**(5,444)**	**(4,785)**	**(10,229)**
Interest on bank deposits	**(43,564)**	**(9,388)**	**(52,952)**

For the year ended 31 December 2016

	Central China *RMB'000*	Northeast China *RMB'000*	Total *RMB'000*
Additions to property, plant & equipment	156,077	46,205	202,282
Additions to prepaid lease payments	5,851	—	5,851
Additions to mining rights	348	11,733	12,081
Finance costs	852,888	74,921	927,809
Provision for environmental restoration	1,303	363	1,666
Depreciation and amortisation before capitalisation	570,227	282,238	852,465
(Reversal of provision)/provision for allowance for bad and doubtful debts	(6,985)	5,026	(1,959)
(Gain)/loss on disposal of property, plant and equipment, net	(2,660)	4,293	1,633
Value-added tax refund	(203,400)	(31,541)	(234,941)
Incentive subsidies	(8,438)	(14,642)	(23,080)
Interest on bank deposits	(94,742)	(24,364)	(119,106)

Revenue from major products has been disclosed in Note 4. 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 years ended 31 December 2017 and 2016.

6. OTHER INCOME

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Value-added tax refund	**306,803**	234,941
Incentive subsidies	**10,229**	23,080
Interest on bank deposits	**52,952**	119,106
Rental income	**2,615**	3,583
Release of deferred income	**8,585**	9,553
Release of financial guarantee liability	**9,582**	6,303
Profits from limestone aggregate and sundry operations, net	**93,268**	74,128
Software service income	**18,803**	52
Others	**676**	3,763
	503,513	474,509

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Foreign exchange (gain)/loss, net	**(66,696)**	52,422
Impairment loss on goodwill	**154,951**	—
Impairment loss on property, plant and equipment	**58,251**	—
(Gain)/loss on disposal of property, plant and equipment, net	**(1,421)**	1,633
Provision/(reversal of provison) for allowance for bad and doubtful debts, net	**5,623**	(1,959)
Loss on deemed disposal of partial interest in an associate	**1,606**	—
Others	**2,317**	—
	154,631	52,096

8. FINANCE COSTS

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings	**402,328**	314,031
Finance leases	**680**	2,726
Bills discounted with recourse	**111,256**	111,173
Short term debentures	**—**	77,252
Mid-term debentures	**292,957**	279,693
Long-term corporate bonds	**206,120**	192,810
	1,013,341	977,685
Less: amounts capitalised in the cost of qualifying assets	**(7,755)**	(49,876)
	1,005,586	927,809

9. INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**283,112**	135,819
Overprovision in prior years:		
EIT	**(4,071)**	(4,668)
Deferred tax	**82,214**	(29,086)
	361,255	102,065

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 PRC law 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. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**924,295**	811,769
Release of prepaid lease payments	**22,372**	22,302
Amortisation of mining rights, included in cost of sales	**27,594**	17,585
Amortisation of other intangible assets, included in cost of sales	**809**	809
Total depreciation and amortisation	**975,070**	852,465
Less: amounts capitalised to inventories	**(707,973)**	(711,300)
amounts included in other expenses *(note)*	**(31,493)**	(36,954)
	235,604	104,211
Cost of inventories recognised as an expense	**6,023,657**	4,491,801
Staff costs including retirement benefits	**418,629**	387,309
Less: amounts capitalised to inventories	**(163,856)**	(146,510)
	254,773	240,799
Release of financial guarantee liability	**9,582**	6,303

Note:

Depreciation and amortisation amounting to RMB31,493,000 (2016: RMB36,954,000) 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.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company for the each of reporting period is based on the following data:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company	**1,001,764**	295,812

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**2,705,662**	2,400,900

No diluted earnings per share is presented for both 2017 and 2016 as there were no potential ordinary shares in issue for both 2017 and 2016.

12. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2017, nor has any dividend been proposed since the end of the reporting period (2016: Nil).

13. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**279,292**	188,830
Less: allowances for bad and doubtful debts	**(30,480)**	(25,948)
	248,812	162,882
Bills receivables	**725,360**	684,820
Other receivables	**2,668,740**	1,894,581
	3,642,912	2,742,283

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

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**221,251**	186,942
91-180 days	**586,399**	341,572
181-360 days	**126,829**	245,417
1-2 years	**38,846**	40,785
Over 2 years	**847**	32,986
Total	**974,172**	847,702

14. TRADE AND OTHER PAYABLES

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade payables	**964,952**	1,250,175
Bills payables	**1,261,300**	1,205,000
Other payables and accrued expenses	**1,022,464**	1,129,104
	3,248,716	3,584,279

The aged analysis of the Group's trade and bills payables presented from the goods receipt date as at the end of each reporting period is as follows:

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**1,136,862**	1,654,216
91-180 days	**299,834**	358,607
181-365 days	**604,721**	300,174
Over 1 year	**184,835**	142,178
Total	**2,226,252**	2,455,175

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2017, against the backdrop of continuous slowdown in the growth rate of national investment in fixed assets, further deepening of supply-side reform and the strengthening of environmental conservation, the cement industry of China accelerated the implementation of the relevant policy of "reduction of overcapacity", leading to an overall industry performance characterized by lower volume, rising prices and a significant increase in profits. In active response to the changes in the environment and the market, the Group, under the new industry trends of alternative production arrangements and production halt for environmental protection, actively adjusted the schedules for both production and kiln suspension and reasonably controlled inventory level and turnover, thereby effectively enhancing sales volume and selling prices in core regions. Despite the small decrease in overall sales volume, the significant increase in selling prices substantially improved the profits and gross profit margin of the core business of the Group.

In 2017, the Group sold approximately 29.3 million tons of cement, a decrease of 0.2 million tons or 0.7% compared with approximately 29.5 million tons in 2016, of which, the sales volume of cement in Henan and the northeastern region was approximately 22.5 million tons and approximately 6.8 million tons, respectively, representing a year-over-year increase of 0.4 million tons and a year-over-year decrease of 0.6 million tons, respectively.

In 2017, the Group's cumulative sales volume of cement above P.O42.5 was 21.4 million tons, an increase of 1.3 million tons compared with 20.1 million tons in 2016. Its share in total annual sales volume of cement in 2017 was 73.0%, representing an increase of 4.9% year-over-year. On the other hand, the cumulative sales volume of P.C32.5 cement was 7.9 million tons, a decrease of 1.5 million tons compared with 9.4 million tons in 2016. Its share in total annual sales volume of cement in 2017 was 27.0%, representing a decrease of 4.9% year-over-year. The share of 32.5 cement in the Group's sales showed a downward trend.

In 2017, the Group sold 2.2 million tons of clinker, an increase of 0.5 million tons or 29.8% compared with 1.7 million tons in 2016, of which, the sales volume of clinker in Henan and the northeastern region was 0.7 million tons and 1.5 million tons, respectively, representing year-over-year increase of 0.3 million tons and 0.2 million tons, respectively.

In 2017, the Group produced 3.6 million tons of limestone aggregate, an increase of 0.8 million tons or 26.4% compared with 2.8 million tons in 2016.

In 2017, the average selling price of cement of the Group increased from approximately RMB194.5 per ton in 2016 to approximately RMB268.7 per ton in 2017, representing an increase of RMB74.2 or approximately 38.1%, of which, the average selling price of cement in Henan and the northeastern region was RMB277.8 per ton and RMB238.4 per ton, respectively.

In 2017, the average selling price of clinker of the Group was approximately RMB248.0 per ton, an increase of RMB89.4 per ton or 56.4% compared with approximately RMB158.6 per ton in 2016, of which, the average selling price of clinker in Henan and the northeastern region was RMB264.6 per ton and RMB239.6 per ton, respectively.

For the year ended 31 December 2017, the revenue of the Group was RMB8,420.6 million, an increase of RMB2,412.0 million or 40.1% compared with approximately RMB6,008.6 million in 2016.

In 2017, the residual heat power generation of the Group was 673.6 million kW.h, an increase of 20.4 million kW.h compared with the same period last year. The average comprehensive power consumption of clinker was 57.2kW.h/t, an increase of 1.7kW.h/t compared with 55.5kW.h/t in the same period last year.

In 2017, the Group made investment in the transformation of production system in respect of the emission of dust, sulphur dioxide and nitrogen oxides in order to meet the environmental standards. Through the transformation, all production lines meet the standards with the concentration of emitted particulates less than 20mg. As of the end of 2017, with all clinker production lines of the Group equipped with denitrification system and bag filter, the concentration of emitted nitrogen oxides and particulates was lower than the limit of the national pollutant emission standards and the concentration of emitted sulphur dioxide met the national standards.

In 2017, the employees of the Group were respectively awarded with the first prizes in the areas of inspection and maintenance under the two skill competitions of construction materials industry in Henan, as well as two Henan Labor Day Awards, five Henan Skill Master honors and seventeen Industry Master honors. In 2017, the Group won 13 first prizes, 44 second prizes and 30 third prizes in the Industry Technological Innovation Award Selection of Henan, and the Group was recommended to participate in the national selection for the innovative technologies with the 13 first prizes.

As of the end of 2017, the number of employees of the Group was 7,822, a decrease of 122 or 1.5% compared with the average number in 2016 of 8,112. Under the same conditions of production and scale of sales of the Group, during the year, the effective implementation of digital cement projects, application of diversified production technologies and optimization of production flows procured production efficiency of the units to be improved by reduction in headcount. In 2017, all subsidiaries of the Group carried out staff training as planned with 6,401 training hours and 94,341 trainees in total.

In 2017, all subsidiaries of the Group passed the four-in-one certification of quality, environment, occupational health and safety management system and products, while all clinker production companies passed the energy management system certification.

Our completed mergers and acquisitions and the new investments in 2017 are as follows:

— On 7 June 2017, the Company completed its acquisition of 100% equity interest in Henan Yongan Cement Company Limited and 55% equity interest in Tianrui Xindeng Zhengzhou Cement Company Limited (the "**Acquisition**") at a consideration of RMB919,000,000 pursuant to the acquisition agreement dated 25 November 2016 entered into between the Company and Tianrui Group Company Limited by allotment and issuance of 537,381,647 new shares as consideration shares to Yu Kuo Company Limited. As a result of completion of the Acquisition, Henan Yongan Cement Company Limited has become an indirect wholly-owned subsidiary of the Company and Tianrui Xindeng Zhengzhou Cement Company Limited has become an indirect non-wholly owned subsidiary of the Company; and their financial results have been consolidated into the accounts of the Company. Upon completion of the Acquisition, the shareholding interest in the Company held by Yu Kuo Company Limited increased from 39.75% to 50.62%. Following the completion of the Acquisition, the Group has new production capacity of clinker and cement of 2.6 million tons and 4.4 million tons, respectively. The total production capacity of cement has reached 55.3 million tons.

— On 27 June 2017, the registered capital of the joint venture of the Group, Tianrui Group Finance Company Limited, increased from RMB0.3 billion to RMB1 billion pursuant to which the joint venture partners namely Tianrui Group Company Limited, Tianrui Travel Group Company Limited, Tianrui Group Foundry Company Limited of the joint venture and Tianrui Cement Group Company Limited contributed RMB46.25 million, RMB23 billion, RMB52.50 million and RMB0.255 billion to Tianrui Group Finance Company Limited, respectively.

In 2017, Pengyuan Credit Rating Co., Ltd. carried out follow-up rating for the subsidiary company of the Company, Tianrui Cement Group Company Limited, and maintained its original rating of AA+ and expected a stable prospect.

BUSINESS ENVIRONMENT

In 2017, the Chinese economy improved amid stability and the structural reform of the supply side made important progress. The five major tasks to "address overcapacity, reduce inventory, deleverage, lower costs, and bolster areas of weakness" progressed relatively well. According to the information of National Bureau of Statistics, the GDP growth rate of China was 6.9% in 2017, which was the first increase in economic growth rate since 2011. Investment in fixed assets (excluding rural households) grew by 7.2% compared with last year. The regions where the Group's core operations were located experienced slightly better momentum for economic development than the previous year. According to the information of Henan Bureau of Statistics, the GDP of Henan grew at a rate of 7.8% in 2017 over 2016, with 10.4% increase in fixed asset investment, 3.2 percentage points above the national growth rate, and 14.7% increase in real estate investment. According to the information of Liaoning Bureau of Statistics, the GDP of Liaoning grew at a rate of 4.2% in 2017 over 2016, with 0.1% increase in fixed asset investment compared with last year and 9.3% increase in real estate investment. The growth rate of both GDP and fixed asset investment in Liaoning changed from negative to positive, turning around the downward trend in economic growth rate since 2011. Improvement was seen in the macroeconomic environment faced by the Group.

In 2017, the Chinese government stepped up efforts in the implementation of environmental regulations and policies on ecological environmental protection, pollution prevention and control, and energy conservation and emission reduction. Enormous pressure brought by "environmental protection monitoring" maintained throughout the year while the enactment and the enforcement of laws on preventing and controlling water, soil, air and other major types of pollution were comprehensively carried out, which had a material impact on the main industrial enterprises. Meanwhile, the Chinese government also continued to strengthen the monitoring in respect of environmental protection. In March 2017, the Ministry of Environmental Protection issued "2017 Plan on Air Pollution Prevention and Control Works in Beijing-Tianjin-Hebei and Surrounding Areas" (《京津冀及周邊地區2017年大氣污染防治工作方案》), which clarified the prevention and control tasks of air pollution in the "2+26" cities during the year. The "2+26" cities referred in the plan represent the areas spreading air pollution in Beijing, Tianjin and Hebei. The cement industry and the Group have been significantly affected by the policies on environmental protection and their enforcement. In addition to the great pressure and challenges, such policies have also brought positive impact by increasing selling prices and eliminating backward production capacity.

In 2018, while intensively promoting the structural reform of the supply side and insisting on the development of real economy, the Chinese government will continue to "address overcapacity, reduce inventory, deleverage, lower costs, and bolster areas of weakness". It will also vigorously streamline administration and reduce taxes and fees as well as continuously optimizing the business environment, with a view to further vitalizing the market and enhancing the quality of economic development. The Chinese government aims for GDP growth of approximately 6.5%, reduction in energy consumption per unit of GDP of over 3%, and continuous decrease in main pollutant emissions. Other goals include the structural reform of the supply side making substantial progress, the macroeconomic leverage ratio remaining basically stable, and various risks being effectively controlled in an orderly manner, etc. Meanwhile, it is proposed that the prevention and control of pollution shall obtain bigger results. The effectiveness of the battle for blue sky shall be enhanced, with the emissions of sulphur dioxide and nitrogen oxides reduced by 3% and the concentration of small particulates (PM2.5) decreased continuously.

The Group considers that compared with 2017, the business environment faced by it in 2018 will show improvement and yet pose challenges. The improving trends in 2017 are expected to continue in the cement industry. As a sizable group in the cement industry, the Group on one hand will strengthen its edges in operations, and on the other hand proactively coordinate with the government policies and the calls in the industry. This will consolidate the Group's leading position in the industry.

CEMENT INDUSTRY

In 2017, the demand for cement in China shrank slightly in view of the continuous decline in the growth rate of fixed asset investment and the decrease in the actual growth rate of real estate investment. However, due to the remarkable results of supply-side control, the continuous reduction in new production capacity and the gradual decrease in cement production volume, the price of cement continued to increase during the year. Meanwhile, affected by the production-limiting factors such as environmental protection control, alternative production arrangements, energy conservation and emission reduction, as well as the rising prices of coal and raw materials, there was certain increase in the industry cost. However, the overall profits of the industry increased significantly. According to the relevant data of the China Cement Association, in 2017, the cement industry recorded revenue and total profits of RMB914.9 billion and RMB87.7 billion, respectively, representing year-over-year increase of 17.89% and 94.41%, respectively. Total profits set a second record high after the historical peak in 2011.

According to the data of National Bureau of Statistics (國家統計局), in 2017, the cumulative cement production volume of China was 2.316 billion tons with 0.2% decrease year-over-year while the cumulative clinker production volume of China was 1.4 billion tons with 1.24% increase year-over-year. By region, cement production volume in the northern, northwestern and northeastern regions decreased due to weak demand, stricter limitations on the supply side by suspending kilns from production and smog-induced production halts. In particular, cement production volume of the northern region and the northeastern region decreased by 21.38% and 10.81% year-over-year, respectively, while that of the northwestern region remained relatively stable with a slight decrease of 0.39% only. Cement production volume of Henan and Liaoning was 150 million tons and 36.88 million tons, respectively, representing year-over-year decrease of approximately 2.59% and approximately 3.94%, respectively. On the other hand, positive growth was recorded in the eastern and mid-southern regions, of which, demand for cement in the eastern region increased by 2.6% year-over-year.

In respect of market price, according to Digital Cement（數字水泥網）, the average market price of cement in China increased from RMB327 per ton (tax inclusive) in the beginning of 2017 to RMB415 per ton (tax inclusive) in December 2017 (excluding Tibet), representing an increase of 27%.

With regard to inventory of the industry, the overall balance of industry supply and demand was changed in with the influences from the production-limiting factors such as environmental protection control, alternative production arrangements, energy conservation and emission reduction, leading to a continuously low level of inventory and thus increasing prices. At the same time, due to the pressure brought by the first rigorous environmental protection monitoring in history, the production of almost all enterprises in the affected areas was halted during the monitoring period. This temporarily led to a sharp decrease in inventory, and the overall inventory level of the industry hit the lowest in nearly three years.

As for environmental protection, the Ministry of Environmental Protection of the PRC issued the "2017 Plan on Air Pollution Prevention and Control Works in Beijing-Tianjin-Hebei and Surrounding Areas"（《京津冀及周邊地區2017年大氣污染防治工作方案》）in March 2017, which states that alternative production arrangements will continue to be fully implemented for the cement, foundry and other industries in the "2+26" cities including Beijing and Tianjin. In November 2017, the Ministry of Industry and Information Technology and the Ministry of Environmental Protection of the PRC jointly issued the "Notice on the Implementation of Alternative Production Arrangements in F/W 2017–2018 for Certain Industries in the '2+26' Cities"（《關於「2+26」城市部分工業行業2017–2018年秋冬季開展錯峰生產的通知》）, requiring the cement industry (including special cement but excluding grinding plants) to implement alternative production arrangements during the heat season in accordance with the relevant requirements of the "Notice on Further Promotion of Alternative Production Arrangements of Cement"（《關於進一步做好水泥錯峰生產的通知》）issued by the Ministry of Industry and Information Technology and the Ministry of Environmental Protection. During the year, the Chinese government continued to strengthen environmental regulation. Various departments such as the National Development and Reform Commission carried out dedicated inspection in the cement and glass industries, clearance and consolidation of backward production capacity and implementation of the environmental policy standards, as well as proposing relevant rectification opinions. The

Ministry of Environmental Protection conducted nationwide central environmental protection monitoring for two times with a view to checking whether the enterprises met the emission standards. In May 2017, the Ministry of Environmental Protection issued the "Guidelines for the Examination of Business Permit for the Co-processing of Hazardous Waste in Cement Kilns (for Trial Implementation)" (《水泥窰協同處置危險廢物經營許可證審查指南(試行)》), specifying the examination focus on technological personnel, transportation of hazardous waste, co-processing ("**co-processing**") technology and facilities of cement kilns, etc.

Regarding the control over new production capacity, it is stated in the Circular No. 34 (2016) of the General Office of the State Council that the production of 32.5 composite Portland cement will be halted while the production of cement 42.5 and above will be focused on. In May 2017, the production of 32.5 cement was fully stopped in Xinjiang. By soliciting opinions on the amendment to "Common Portland Cement" (《通用硅酸鹽水泥》) national standards in September 2017, the Ministry of Industry and Information Technology intended to eliminate Portland cement with strength grading of 32.5R. Meanwhile, the Ministry of Industry and Information Technology issued the amended measures for the implementation of capacity replacement for the cement industry in December 2017, prohibiting new capacity increase projects of cement and clinker from being filed and implemented. According to the statistics of China Cement (中國水泥網), a total of nine clinker production lines were newly put into operation in China in January-November 2017, with new clinker production capacity totaling 13.33 million tons. Henan and the northeastern region had no additional production capacity.

In respect of industry concentration, the "Thirteenth Five-Year Plan for the Cement Industry" (《水泥工業「十三五」發展規劃》) published by the China Cement Association in 2017 proposed to focus on fostering mergers, restructuring and reduction in the number of enterprises and pushing forward the formation of a batch of large-scale group enterprises. Clinker and cement production capacity of the top ten large corporate groups shall reach the goals of accounting for over 70% and 60% of total production capacity in China, respectively.

FINANCIAL REVIEW

Revenue

Our revenue was approximately RMB8,420.6 million in 2017, representing an increase of RMB2,412.0 million, or 40.1%, from approximately RMB6,008.6 million in 2016.

Our revenue from cement sales was approximately RMB7,868.2 million in 2017, representing an increase of RMB2,131.7 million, or 37.2%, as compared with 2016. The sales volume of our cement decreased by 0.2 million tons or 0.7%, from 29.5 million tons in 2016 to 29.3 million tons in 2017, which was primarily due to the demands reduction in Henan and Liaoning where the Group operates. The Group took an active market strategy and continuously raised the selling prices to face the changes of the demands and prices in the cement market, resulting in the significant increase in our sales revenue in 2017.

Clinker is a semi-finished product used to produce cement. Our clinkers produced in 2017 were primarily used to satisfy our internal demand for cement production. Only 2.2 million tons of the Group's clinkers were sold externally. We recorded approximately RMB552.3 million of revenue generated from clinker sales in 2017, representing an increase of RMB280.2 million, or 103.0%, from approximately RMB272.1 million in 2016. The revenue growth was mainly due to the significant increase in the price of clinker.

In 2017, the Group's sales revenue from the central China region amounted to RMB6444.9 million, representing an increase of RMB1,912.0 million or 42.2% compared to RMB4,532.9 million in 2016. The Group's sales revenue from the Northeastern region of China amounted to RMB1,975.6 million, representing an increase of RMB499.9 million or 33.9% compared to RMB1,475.7 million in 2016.

Our revenue from sales of cement was approximately 93.4% of the total revenue in 2017 and 95.5% of the total revenue in 2016, respectively. Our revenue from sales of clinker was approximately 6.6% of the total revenue in 2017 and 4.5% of the total revenue in 2016, respectively.

Cost of Sales

In 2017, 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 cost of sales was approximately RMB6,023.7 million in 2017, representing an increase of RMB1,531.9 million, or 34.1% as compared with 2016. The increase was primarily due to the higher 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 2017, our costs of raw materials, coal and electricity as a percentage of cost of sales were 33.4%, 35.3% and 14.2%, respectively. During the period, our costs of raw materials, coal and electricity for production of cement per ton were RMB63.8, RMB67.5 and RMB27.1, respectively, representing an increase of RMB9.6, an increase of RMB32.4 and an increase of RMB0.5, respectively, as compared with 2016.

Gross Profit, Gross Profit Margin and Segment Profit (Loss)

Our gross profit was approximately RMB2,396.9 million for the year ended 31 December 2017, representing an increase of RMB880.1 million, or 58.0%, from approximately RMB1,516.8 million last year. Our gross profit margin increased to approximately 28.5% in 2017 from 25.2% in 2016. The increase in gross profit margin was primarily due to the larger increase in selling prices of cement and clinker than the increase in unit production cost.

In 2017, the Group's segment profit from the central China region amounted to RMB1,125.2 million, representing an increase of RMB763.9 million or 211.5% compared to RMB361.3 million in 2016. The increase was due to the significant increase in the gross profit of the segment of that particular region. The Group's segment loss from the Northeastern region amounted to RMB228.9 million, representing a decrease of a loss of RMB182.5 million or a decrease of 393.3% compared to a segment loss of RMB46.4 million in 2016. This was due to the provision of RMB212.8 million made by the management based on the relevant forecasting analysis of the goodwill and the fixed assets of the subsidiaries of that particular region; eliminating this factor for comparison, the Group's segment loss from the Northeastern region was under a significant reduction as compared to 2016.

Other income

Other income was approximately RMB503.5 million for the year ended 31 December 2017, representing an increase of RMB29.0 million, or 6.1%, from approximately RMB474.5 million for the year ended 31 December 2016. The increase was primarily due to the improvement in the limestone aggregate sales performance and the increase in value added tax subsidies for the integrated use of resources.

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 (as defined in the Circular) or any interest in it in accordance with (a) commercial terms which (i) will not be less favourable 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.

The fair value of the Option at the end of December 2016 was about RMB761,065,000 while there was no Option at the end of December 2017. The revenue of the change in fair value during the year in the amount of about RMB451,279,000 was recognized in profit or loss in the consolidated financial statements.

Selling and Distribution Expenses

Our selling and distribution expenses were approximately RMB341.0 million for the year ended 31 December 2017, representing an increase of RMB26.9 million, or 8.5%, from approximately RMB314.1 million for the year ended 31 December 2016. The increase was primarily due to the increase in relevant marketing and transportation expenses as a result of the increase in our sales revenue.

Administrative Expenses

Administrative expenses were approximately RMB421.1 million for the year ended 31 December 2017, representing an increase of RMB57.7 million, or 15.9%, from approximately RMB363.4 million for the year ended 31 December 2016. The increase in administrative expenses was mainly due to the acquisition of two new companies during the year and the improvement in employees' remuneration packages.

Other Expenses

Other expenses were approximately RMB79.9 million for the year ended 31 December 2017, representing an increase of approximately RMB11.2 million, or 16.2%, from approximately RMB68.7 million for the year ended 31 December 2016. 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 RMB1,005.6 million for the year ended 31 December 2017, representing an increase of RMB77.8 million, or 8.4%, from RMB927.8 million for the year ended 31 December 2016. The increase was primarily attributable to the increase in the Company's cost of debt and the decrease in capitalized interest.

PROFIT BEFORE TAXATION

As a result of the foregoing, our profit before taxation was approximately RMB1,354.0 million for the year ended 31 December 2017, representing an increase of approximately RMB1,002.4 million, or approximately 285.1%, from approximately RMB351.6 million for the year ended 31 December 2016.

INCOME TAX EXPENSES

Our income tax expenses were approximately RMB361.3 million for the year ended 31 December 2017, representing an increase of RMB259.2 million, or about 253.9% from approximately RMB102.1 million for the year ended 31 December 2016, which was mainly due to the significant increase of operating income other than the revenue of the fair value change of financial derivatives in the 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 2017 was approximately RMB1,001.8 million, representing an increase of RMB706.0 million, or about 238.6%, from approximately RMB295.8 million for the year ended 31 December 2016. The net profit margin increased from 4.9% for the year ended 31 December 2016 to 11.9% for the year ended 31 December 2017.

FINANCIAL AND LIQUIDITY POSITION

Trade and other receivables

Trade and other receivables increased from RMB2,742.3 million as at 31 December 2016 to RMB3,642.9 million as at 31 December 2017, mainly due to the increase in balance of trade receivables and the increase in bills endorsed to suppliers and prepayments.

Amounts due from an associate

The amounts due from an associate of approximately RMB626.0 million as at 31 December 2017 (2016: RMB323.8 million) represents the advance payment paid to Ruiping Shilong for the clinker purchase in 2017 under the Clinker Supply Framework Agreement.

Inventories

Inventories increased from RMB750.7 million as at 31 December 2016 to RMB949.3 million as at 31 December 2017, primarily due to the increase in the inventory cost during the year 2017.

Cash and cash equivalents

Cash and bank balance increased from RMB726.2 million as at 31 December 2016 by RMB104.5 million or 14.4% to RMB830.7 million as at 31 December 2017, primarily due to the higher cash balance generated as a result of the growth in profit.

Borrowings

As at 31 December 2017, the amount of total borrowings and debentures (including corporate bonds) of the Group decreased by approximately RMB402.6 million or 3.3% to approximately RMB11,897.7 million from RMB12,300.3 million last year. Borrowings due within one year and short-term debentures (including mid-term debentures due within one year) increased from RMB8,196.2 million as at 31 December 2016 to RMB10,750.8 million as at 31 December 2017; borrowings due after one year, midterm debentures and long-term corporate bonds decreased from RMB4,104.1 million as at 31 December 2016 to RMB1,146.9 million as at 31 December 2017; the Group has been repaying the debts in accordance with the terms of the loan agreement, and the Group had unutilized bank facilities of approximately RMB1,240.5 million as at 31 December 2017.

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 channels to improve our capital structure.

MAJOR ACQUISITIONS AND DISPOSALS

On 7 June 2017, the Company completed the Acquisition pursuant to the acquisition agreement dated 25 November 2016 entered into between the Company and Tianrui Group Company Limited by allotment and issuance of 537,381,647 new shares as consideration shares to Yu Kuo Company Limited. As a result of completion of the Acquisition, Henan Yongan Cement Company Limited has become an indirect wholly-owned subsidiary of the Company and Tianrui Xindeng Zhengzhou Cement Company

Limited has become an indirect non-wholly owned subsidiary of the Company; and since then, their financial results have been consolidated into the combined financial reports of the Company.

GEARING RATIO

As at 31 December 2017, our gearing ratio was 61.6%, representing a decrease of 6.7 percentage points from 68.3% as at 31 December 2016. The change of gearing ratio was due to the increase in interests of the holders and the decrease of the debt scale.

As at 31 December 2017, our current gearing ratio was 0.7, representing an increase of 16.9% from 0.6 as at 31 December 2016. Our quick ratio was 0.7, representing an increase of 18.0% from 0.6 as at 31 December 2016. Changes of the above ratios were due to the increase scale of current assets except inventory which is larger than the increase of current liabilities.

As at 31 December 2017, our debt equity ratio was 1.6, representing a decrease of 0.6 or 25.5% from 2.2 as at 31 December 2016. The change of debt equity ratio was due to the increase in interests of the holders and the decrease 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 2017, our net gearing ratio was 78.1%, representing a decrease of 31.4 percentage points from 109.5% as at 31 December 2016. 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 2017 was approximately RMB102.7 million (2016: approximately RMB65.3 million) and capital commitments for the year ended 31 December 2017 was approximately RMB470.7 million (2016: approximately RMB478.1 million). Both the capital expenditure and capital commitments were mainly related to the construction of production facilities for cement and aggregate businesses and the acquisition of machinery, office equipment, investment in 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 2017, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB4,143.7 million (2016: approximately RMB2,632.7 million).

CONTINGENT LIABILITIES

As at 31 December 2017, other than contingent liabilities arising from the provision of guarantee to related parties amounting to approximately RMB1,710.0 million (31 December 2016: RMB1,542.0 million), we did not have other contingent liabilities. The guarantees provided to the related parties have been provided pursuant to Tianrui Cement Guarantees according to the 2017 Framework Agreement Provision of Mutual Guarantees, the details of which are set out in the circular dated 1 May 2017.

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2017, save as disclosed in this announcement and the expansion of limestone aggregate business, the Group neither held any material investment nor planned to make any material investment and acquire any capital assets as of 31 December 2017.

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 for 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 forecasted) cash flows. Our management also monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Exchange rate risk

Certain pledged bank balances and other receivables of the Group are denominated in Hong Kong Dollar ("HK$") and borrowings are denominated in United States Dollar ("US$"), therefore exchange rate movement exposure is incurred. Currently, the Group does not have any foreign currency hedge strategy in relation to foreign currency exposure. However, the management will closely monitor exchange rate risk in HK$ and US$ and will consider to hedge material currency exposure if necessary.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, our Group had 7,822 employees (31 December 2016: 8,066). As at 31 December 2017, the employees' cost (including remuneration) was approximately RMB418.6 million (2016: approximately RMB387.3 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 2017.

PROSPECTS

In 2017, subject to the structural problem of Chinese economic development and social issues, the Chinese government secured a relatively high speed of economic growth through a series of regulating and control measures. Complemented with quality, structure and efficiency, the picture of economic growth was satisfactory. 2018 is the first year for putting the guiding principles of the 19th National Congress of the Communist Party into action, as well as the 40th anniversary of the reforms and opening-up. It is a critical year to build on the past and herald the future-a decisive year for building a prosperous society in all respects and implementing the "Thirteenth Five-Year" Plan. Despite the continuous recovery of the global economy, various factors of instability and uncertainties exist. The domestic economy is now undergoing a pivotal period, with changes in the ways of development, optimization in the economic structure and a shift in growth momentum. The Chinese government has set the following goals: GDP will increase by 6.5%; the energy consumption per unit of GDP will decline by over 3%; the main pollutant emissions will continue to decrease; the structural reform of the supply side will make substantial progress; the macroeconomic leverage ratio will remain basically stable; and various risks will be effectively controlled in an orderly manner, thus setting the direction and goals for economic growth in 2018. The Central Government of China has determined to complete the railway construction investment of RMB732 billion and the road and water transport investment of RMB1.8 trillion as well as the investment in hydraulics under construction of RMB1 trillion in 2018. Policy measures were implemented to encourage private investment. With regard to the sectors such as railway, civil aviation, oil and gas and telecommunications, a batch of attractive projects were launched in order to attract private investment. These policies and goals shall support the stable cement demands.

In 2018, the work report of the Chinese government proposed to deepen the development of the supply-side reform and to strive for substantial progress. Besides, the "Thirteenth Five-Year Plan for the Cement Industry" issued by the China Cement Association proposed various goals of fostering sustainable development of the industry. In the area of the reduction of overcapacity, the Association proposed to reduce the production capacity of clinker by 392.70 million tons in three years, close down 540 cement grinding plant enterprises, reach an average utilization rate of 80% for clinker production capacity and reach an average utilization rate of 70% for cement production capacity in China; clinker and cement production capacity of the top ten large corporate groups shall account for over 70% and 60% of total production capacity in China, respectively. Besides, the Plan also proposed the goals to reduce the comprehensive energy consumption of cement and clinker to 105kg of standard coal per ton and to increase the proportion of the production lines of co-processing in cement kilns to 15% by 2020. By that time, the cement industry will have tightened the entry of new capacity, reduced wasted supply, stringently enforced the regulations and standards in respect of environmental protection, quality and safety, resolved excessive production capacity and eliminated backward production capacity. As one of the 12 major national cement companies recognized in China and one of the five cement companies designated by the Ministry of Industry and Information Technology, the Group has been encouraged to assume the important responsibility of merging and consolidating the central cement market. Also, to encourage the integration of the cement industry, the Chinese government has provided support for designated companies, such as tax incentives and special projects or financing approvals. The Group will work on the integration and coordination of regional markets and grasp the new profit growth points through internal structure adjustment, and enhance our leading market positions in Henan and Liaoning by fully leveraging the policies and our own advantages.

Meanwhile, we will further expand the scope of the unified purchase of materials, strengthen fine management, optimize production technology and process, and improve production efficiency, so that we can further reduce the unit energy consumption and production costs and then maintain our leading positions in the markets. We believe that maintaining and increasing the cost advantages will be beneficial for the Group to enjoy more robust profitability in Henan and Liaoning cement markets compared with our main competitors.

CORPORATE SOCIAL RESPONSIBILITY & ENVIRONMENTAL MATTERS

The Company endeavours to promote business development and strive for greater rewards for our shareholders, we acknowledge our corporate social responsibility to share some of the pressure of society where we are located and led to the establishment and development of our business. We participate in public welfare activities and supports poverty alleviation so as to jointly create a stable and harmonious community environment. In 2017, the Group arranged tree planting and visiting poor families activities and promoted mutual help among staff in the Group. Besides, the Group is also committed to promoting a green office culture within offices, production lines, staff living areas, outdoor lighting, etc.

CORPORATE GOVERNANCE

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

For the period from 1 January 2017 to 31 December 2017, the Company has adopted the code provisions set out in the Corporate Governance Code set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code on corporate governance practice. Save as disclosed in this section, the Company has been in compliance with all code provisions set out in the Corporate Governance Code throughout the year ended 31 December 2017.

Given the resignation of the chief executive officer of the Company on 1 December 2015, the Company has not yet appointed a new chief executive officer up to now. The Company will actively seek a new chief executive officer. In the meantime, the Board of the Company established an Executive Committee, which was composed of 2 executive Directors and 3 top management members of the subsidiary of the Company. The Executive Committee is in charge of the daily operation of the major businesses of the Group, the Executive Committee members do not include the chairman of the Board, and this will ensure that the authority is not be vested in the same person.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry with the Directors, all of them have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2017.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Company has established an audit committee with written terms of reference set out in the Corporate Governance Code. The principal duties of the audit committee includes the review and supervision of the Group's financial reporting matters, risk management and internal control procedures. The audit committee comprises three independent non-executive directors of the Company, namely Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Du Xiaotang.

The audit committee of the Board of the Company has discussed with the management of the Company on and reviewed the consolidated financial statements of the Group for the year ended 31 December 2017 and this announcement.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement."

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities except as disclosed herein.

On 7 June 2017, the Company allotted and issued 537,381,647 new shares as consideration shares to Yu Kuo Company Limited pursuant to the acquisition agreement dated 25 November 2016 entered into between the Company and Tianrui Group Company Limited for the acquisition of 100% equity interest in Henan Yongan Cement Company Limited and 55% equity interest in Tianrui Xindeng Zhengzhou Cement Company Limited.

ANNUAL GENERAL MEETING

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

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of the shareholders of the Company to attend, speak and vote at the forthcoming annual general meeting of the Company, the register of members of the Company (the "**Register of Members**") will be closed as follow:

Latest time to lodge transfer documents for registration with the Company's share registrar office in Hong Kong	At 4:30 p.m. on 24 May, 2018
Record Date	30 May, 2018
Closure of the Register of Members	25 May 2018 to 30 May 2018 (both days inclusive)

For purposes mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than the aforementioned latest time.

FINAL DIVIDEND

The Board did not propose the declaration of final dividend for the year ended 31 December 2017.

PUBLICATION OF ANNUAL REPORT

The Company's annual report for the year ended 31 December 2017 will be published on the website of the Stock Exchange and the Company's website at http://www.trcement.com and will be dispatched to the Company's shareholders in due course.

APPRECIATION

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

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

Ruzhou City, Henan Province, PRC, 23 March 2018

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

Chairman and Non-executive Director
Mr. Li Liufa

Executive Directors
Mr. Xu Wuxue, Mr. Li Jiangming, Mr. Ding Jifeng and Ms. Li Fengluan

Non-executive Directors
Mr. Yang Yongzheng (Mr. Lv Xing as his alternate)

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