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

2012 ANNUAL REPORT


天瑞水泥

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CORPORATE INFORMATION

REGISTERED NAME OF THE COMPANY

China Tianrui Group Cement Company Limited

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")

STOCK CODE

01252

EXECUTIVE DIRECTORS

Mr. Li Heping (Chief Executive Officer)
Mr. Liu Wenying
Mr. Yu Yagang

NON-EXECUTIVE DIRECTORS

Mr. Li Liufa (Chairman)
Mr. Tang Ming Chien

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

Mr. Ma Chun Fung Horace (Chairman)
Mr. Kong Xiangzhong
Mr. Wang Ping

NOMINATION COMMITTEE

Mr. Kong Xiangzhong (Chairman)
Mr. Li Heping
Mr. Wang Ping

REMUNERATION COMMITTEE

Mr. Wang Ping (Chairman)
Mr. Liu Wenying
Mr. Kong Xiangzhong

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Ruzhou City
Henan Province
PRC

PLACE OF BUSINESS IN HONG KONG

Level 3
Three Pacific Place
1 Queen's Road East, Hong Kong

COMPANY WEBSITE

http://www.trcement.com

CORPORATE INFORMATION

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

Mr. Liu Wenying
Mr. Yu Chunliang

ALTERNATIVE AUTHORIZED REPRESENTATIVE

Ms. Kwong Yin Ping Yvonne

CAYMAN ISLANDS SHARE REGISTRAR AND SHARE TRANSFER AGENT

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

LEGAL ADVISERS

As to Hong Kong law

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The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law

Commerce & Finance Law Offices
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Chaoyang District
Beijing 100022
PRC

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
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88 Queensway
Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
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183 Queen's Road East
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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 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 2012, 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. We also established a clinker production line of daily production of 12,000 tonnes in 2009, which represented the world's largest clinker production line using the most advanced technology at the time.

- **Promising prospects for regional development.** As a leading cement producer in both Henan and Liaoning provinces, we will benefit 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. The State Council of the PRC promulgated the Guidelines on Developing the Central China Economic Zone and their implementation rules in 2011 and 2012, respectively, with the aim to, among other things, promote the urbanization and further develop the infrastructure in these regions. We believe that we can strengthen our market position by further expanding our production capacity and benefitting from the PRC government policy initiatives.

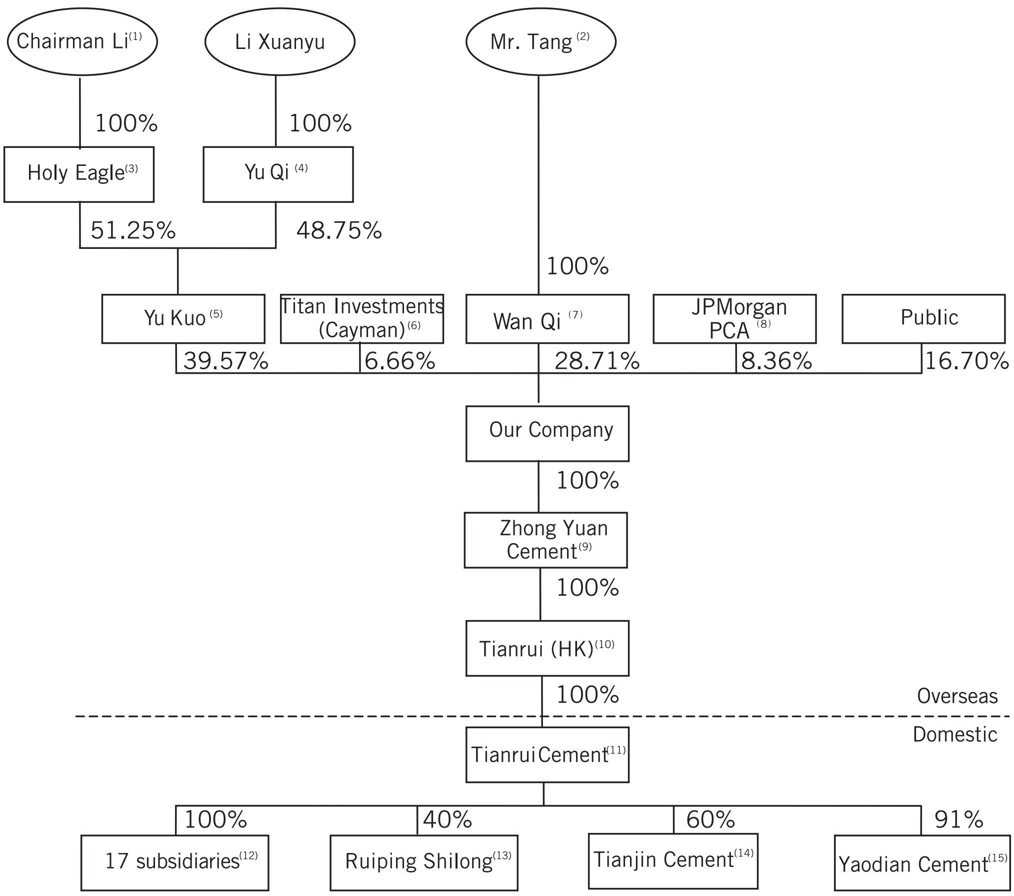
- **Sufficient reserve of resources.** We have sufficient limestone reserves and composite materials in Henan and Liaoning provinces. All of our clinker production facilities are located near our limestone quarries with sufficient resources to support our operations for at least 30 years.

- **Efficient standardized management.** 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 quality control, environmental management and occupational health and safety, at both the parent and operating subsidiary levels. Our cement sold under the brand name "天瑞TIANRUI", owing to its high quality, has been recognized as a "Chinese Famous Trademark" by the State Administration for Industry and Commerce. Leveraging our brand name 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 Project (南水北調工程), Ha'erbin-Dalian Express Railway (哈大高鐵) and Shijiazhuang-Wuhan Express Railway (石武高鐵).

- **Committed to environment protection and sustainable development.** We value the research and development of advanced and environmentally-friendly technologies. 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 as a member of the Cement Sustainability Initiative (CSI), a global initiative sponsored by 23 major cement producers with combined operations in over 100 countries and that promotes sustainable development in the cement industry.

I. CORPORATE STRUCTURE

As at the date of this report, 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.

(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) "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 Chairman Li.

(4) "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 Mr. Li Xuanyu, a son of Chairman Li.

(5) "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.

(6) "Titan Investments (Cayman)" refers to Titan Investments Limited, a company incorporated in the Cayman Islands with limited liability. KKR Asian Fund L.P. owns and controls the majority of the issued and outstanding shares of Titan Investments (Cayman).

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

(8) "JPMorgan PCA" refers to JPMorgan PCA Holdings (Mauritius) I Limited, a company established in Mauritius with limited liability.

(9) "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.

(10) "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.

(11) "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.

(12) The 17 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, formerly known as Tianrui Group Xingyang Cement Company Limited, 天瑞集團滎陽水泥有限公司"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"), Yuzhou Zhongjin Cement Company Limited (禹州市中錦水泥有限公司, "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"), and Yuzhou Zhongjin Mining Company Limited (禹州中錦礦業有限公司).

(13) "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.

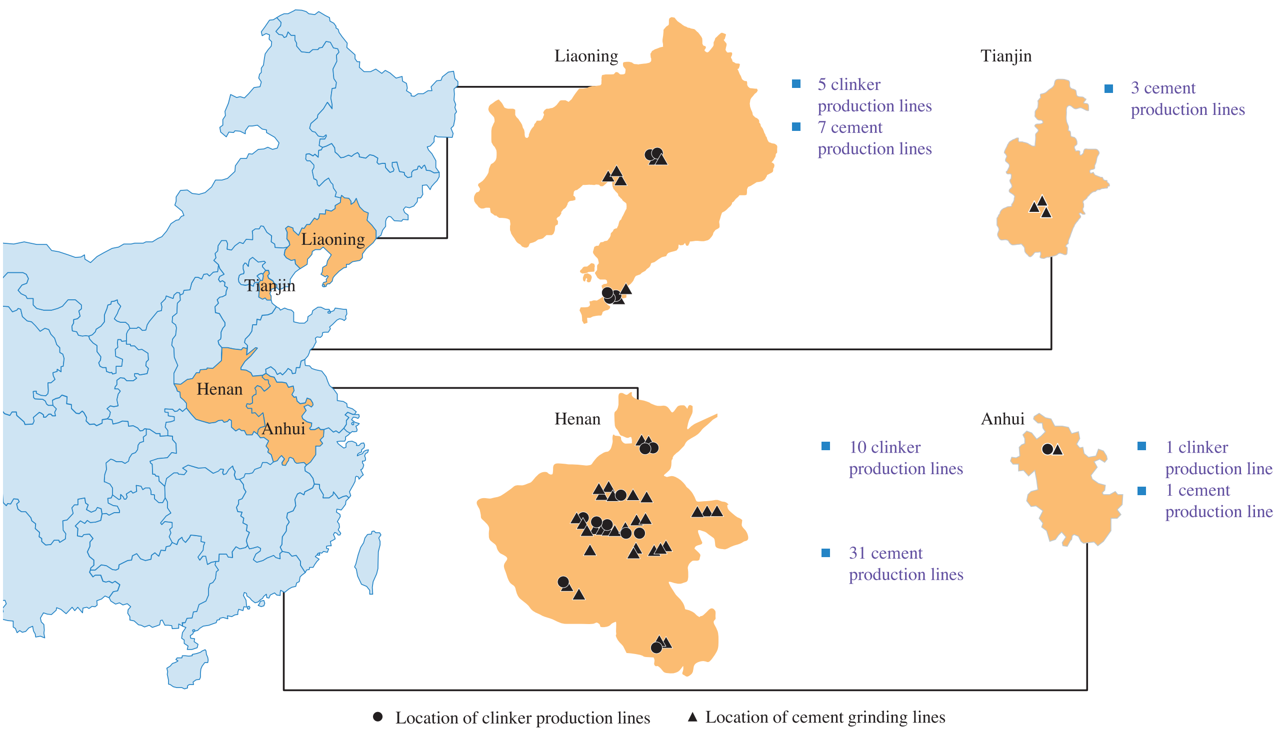
(14) "Tianjin Cement" refers to Tianjin Tianrui Cement Company Limited (天津天瑞水泥有限公司), a company established in the PRC with limited liability and a subsidiary of our Company. The other shareholders of Tianjin Cement are Wang Aimin and Li Ji'ang while each of them holds 20% of the equity interest in Tianjin Cement.

(15) "Yaodian Cement" refers to Pingdingshan Tianrui Yaodian Cement Company Limited (平頂山天瑞姚電水泥有限公司), a company established in the PRC with limited liability and a subsidiary of the Company. The other shareholder of Yaodian Cement 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.

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 2012, the Group had 16 clinker production lines and 42 cement grinder production lines with a total annual production capacity of 25.9 million tonnes of clinker and 42.8 million tonnes of cement, respectively, representing an increase of 3.7 million tonnes of clinker and 7.64 million tonnes from that as of 31 December 2011. Of such total annual production capacity, Henan region (including Anhui) had a cement production capacity of 31.4 million tonnes and a clinker production capacity of 18.1 million tonnes, and Liaoning region (including Tianjin) had a cement production capacity of 11.4 million tonnes and a clinker production capacity of 7.8 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. Based on our attributable interest in such associated company, the Group has a total of attributable production capacity of 27.1 million tonnes of clinker and 42.8 million tonnes of cement as of 31 December 2012.



RELEVANT FINANCIAL DATA

	For the year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Revenue	**7,590,897**	8,263,395
Gross profit	**1,898,758**	2,432,928
EBITDA	**2,202,237**	2,682,095
Profit	**762,789**	1,273,188
Of which: Profit attributable to owners of the Company	**783,393**	1,274,538
Basic earnings per share (RMB)	**0.33**	0.63
Diluted earnings per share (RMB)	**0.33**	0.63
Net cash generated from operating activities	**1,892,972**	2,428,015
Net cash used in investing activities	**(1,829,834)**	(2,163,620)
Net cash generated from (used in) financing activities	**258,059**	(375,311)

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Total assets	**18,840,296**	17,237,845
Of which: Current assets	**6,652,293**	6,119,783
Total liabilities	**12,496,836**	11,683,235
Of which: Current liabilities	**10,410,297**	9,759,553
Total equity	**6,343,460**	5,554,610
Of which: Equity attributable to owners of the Company	**6,323,564**	5,515,960

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

According to National Bureau of Statistics, for 2012, the PRC recorded a GDP growth of 7.8%, which represented a decrease of 1.4% as compared to 9.2% in 2011 and is the lowest in the last three years. The PRC economy is also undergoing substantial structural adjustments. The cement industry is going through a dual adjustment in market structure and product structure. Growth drivers in the industry are gradually shifting from the urban real estate market to the rural urbanization and infrastructure-oriented market. Our Group leveraged on both the market and product structural adjustments and substantially mitigated the impacts of the negative factors.

In 2012, due to the adverse trends affecting our industry, we implemented a strategy of cutting cost internally and expanding markets externally in order to enhance our efficiency and results of operations, improve our competitiveness and promote our sustainable development in the cement industry. In 2012, our cement sales volume was 26.1 million tonnes, which represented an increase of 2.5 million tonnes as compared to the prior year. Meanwhile, we have increased the sales volume of cement and reduced the sale of clinker (an intermediate product) so as to improve our profitability. In 2012, the Group recorded revenue of RMB7,590.9 million, representing a decrease of RMB672.5 million, or 8.1%, as compared to RMB8,263.4 million for the prior year. Profit attributable to owners of the Company was RMB783.4 million, representing a decrease of RMB491.1 million, or 38.5%, as compared to RMB1,274.5 million for the prior year, which is below the industry average decrease rate.

FINANCIAL REVIEW

Revenue

Our revenue was approximately RMB7,590.9 million in 2012, representing a decrease of RMB672.5 million, or 8.1%, from approximately RMB8,263.4 million in 2011.

Our revenue from sales of cement was approximately RMB6,729.9 million in 2012, representing an increase of RMB199.4 million, or 3.1%, from approximately RMB6,530.5 million in 2011. This increase was primarily attributable to the increase in sales volume. The cement sales volume was 26.1 million tonnes in 2012, representing an increase of 2.5 million tonnes, or 10.7%, from 23.6 million tonnes in 2011, due to our significant efforts in improving our marketing strategy, further strengthening market development efforts and adjusting the product structure. The average selling price of our cement products decreased slightly by RMB19.2 per tonne, or 6.9%, from RMB277.1 per tonne in 2011 to RMB257.9 per tonne in 2012. The decrease in the average cement selling price was primarily because the macroeconomic policies continued to tighten in the PRC and also because growth of the PRC economy slowed down as compared with 2011.

Our revenue from sales of clinker was approximately RMB861.0 million in 2012, representing a decrease of RMB871.9 million, or 50.3%, from approximately RMB1,732.9 million in 2011. This decrease was primarily attributable to (i) a decrease in the average clinker selling price by RMB32.8 per tonne, or 12.2%, from RMB269.3 per tonne for 2011 to RMB236.5 per tonne for 2012, as the market demand deceased due to the slowdown of the PRC economy; and (ii) a decrease in our clinker sales volume by 2.8 million tonnes, or 43.4%, from 6.4 million tonnes in 2011 to 3.6 million tonnes in 2012, which was mainly due to the fact that we used a greater portion of our clinker to produce our own cement, and also because of decreased demand from our clinker customers who themselves experienced decreased demand for their cement products due to the slowdown in the PRC economy.

Our revenue from sales of cement as a percentage of revenue was approximately 88.7% in 2012 and 79.0% in 2011, respectively. Our revenue from sales of clinker as a percentage of revenue was approximately 11.3% in 2012 and 21.0% in 2011, respectively.

Cost of sales

Our cost of sales was approximately RMB5,692.1 million in 2012, representing a decrease of RMB138.4 million, or 2.4%, from approximately RMB5,830.5 million in 2011. The decrease was mainly due to the decrease in our clinker sales volume. Our clinker sales volume decreased by 2.8 million tonnes, or 43.4%, from 6.4 million tonnes in 2011 to 3.6 million tonnes in 2012. Our cost of sales as a percentage of revenue increased to approximately 75.0% in 2012 from 70.6% in 2011 primarily due to the decrease of revenue as described above.

Gross profit and gross profit margin

Our gross profit was approximately RMB1,898.8 million in 2012, representing a decrease of RMB534.1 million, or 22.0%, from approximately RMB2,432.9 million in 2011. Our gross profit margin decreased to approximately 25.0% in 2012 from 29.4% in 2011. The decreases in both gross profit and gross profit margin were primarily due to the decreases in the average selling prices of our cement and clinker products.

Other income and other gains and losses

Other income was approximately RMB376.8 million in 2012, representing an increase of RMB90.3 million, or 31.5%, from approximately RMB286.5 million in 2011. The increase was primarily due to (i) the increase in value-added tax refunds from the PRC government, (ii) the increase in incentive subsidies, and (iii) the fact that a number of long overdue trade payables were recognized as other income in 2012.

Distribution and selling expenses

Our distribution and selling expenses were approximately RMB273.0 million in 2012, representing an increase of RMB12.2 million, or 4.7%, from approximately RMB260.8 million in 2011. The increase was primarily due to the growth of our business and the increase in the use of better-quality cement packing bags.

Administrative expenses

Administrative expenses were approximately RMB362.2 million in 2012, representing an increase of RMB99.9 million, or 38.1%, from RMB262.3 million in 2011. The increase was mainly due to the growth of our business as we hired more administrative personnel and more staffs with higher educational background in 2012.

Finance costs

Finance costs were approximately RMB570.0 million in 2012, representing an increase of RMB94.7 million, or 19.9%, from RMB475.3 million in 2011. The increase was primarily attributable to the PBOC's increase of benchmark loan interest rates during the year. The increase in finance costs was also due to fewer projects which we had under construction in the year 2012, as a result of which we were not able to capitalize finance costs to the same extent as in prior years.

Profit before taxation

As a result of the foregoing, our profit before taxation was approximately RMB1,027.1 million in 2012, representing a decrease of RMB659.5 million, or 39.1%, from approximately RMB1,686.6 million in 2011.

Income tax expenses

Our income tax expenses were approximately RMB264.3 million in 2012, representing a decrease of RMB149.1 million, or approximately 36.1%, from approximately RMB413.4 million in 2011, which was mainly due to the decrease in profit before taxation as described above.

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 2012 was approximately RMB783.4 million, representing a decrease of RMB491.1 million, or approximately 38.5%, from approximately RMB1,274.5 million for the year 2011. The net profit margin decreased from 15.4% in 2011 to 10.0% in 2012, primarily attributable to the decreases of revenue and gross profit margin and the increase of our finance costs and other operational expenses as a percentage of our revenue.

FINANCIAL AND LIQUIDITY POSITION

Trade and other receivables

Trade and other receivables decreased from RMB2,454.9 million as of 31 December 2011 to RMB2,454.5 million as of 31 December 2012, mainly due to the increase in prepayment for the purchase of coals, the increase of deposits for transportations and the decrease of bills receivables.

Inventories

Inventories decreased from RMB1,203.2 million as of 31 December 2011 to RMB1,140.2 million as of 31 December 2012, primarily due to the decrease of the unit cost of raw materials, clinker and cements in 2012.

Cash and cash equivalents

Cash and bank balance increased from RMB232.5 million as of 31 December 2011 to RMB553.7 million as of 31 December 2012, primarily due to accumulated cash inflows that generated from operations in 2012.

Borrowings

As of 31 December 2012, our total borrowings and bonds increased to RMB7,563.9 million from RMB7,156.9 million as of 31 December 2011. As of 31 December 2012, we had unutilized bank facilities of approximately RMB3,360.0 million. Our principal sources of liquidity have historically been cash generated from operations and bank and other borrowings. We used cash from such sources for working capital, production facility expansions, other capital expenditures and debt service requirements.

NET GEARING RATIOS

As of 31 December 2012, our net gearing ratio was 71.3%, representing a decrease of 18.4% from 89.7% as of 31 December 2011. Net gearing ratio is calculated by dividing net borrowings by equity attributable to owners of the Company.

FINAL DIVIDEND

The Board of Directors did not recommend a final dividend for the year ended 31 December 2012.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure for the year ended 31 December 2012 amounted to approximately RMB1,283.8 million (2011: RMB1,609.7 million) and capital commitments as at 31 December 2012 amounted to approximately RMB594.0 million (2011: RMB1,479.4 million). Both the capital expenditure and capital commitments were mainly related to the acquisition of business, 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 its capital expenditure through cash generated from operations and bank and other borrowings.

SIGNIFICANT INVESTMENTS

During the year 2012, the Group neither held any material investment nor planned to make any material investment and acquire any capital assets.

CONTINGENT LIABILITIES

As of 31 December 2012, other than contingent liabilities of RMB40 million for the Group's provision of guarantees to third parties, the Group does not have other contingent liabilities (2011: RMB50 million).

PLEDGE OF ASSETS

As of 31 December 2012, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB3,281.3 million (2011: RMB3,172.3 million). For details, please refer to Note 41 in the Notes to the Consolidated Financial Statements.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2012, our Group had 6,996 (2011: 6,100) employees. For the year ended 31 December 2012, the employees' cost including remuneration was RMB284.4 million (2011: RMB220.0 million). The remuneration policies, bonus and training programs for employees of the Group were implemented continuously according to the policies disclosed in the 2011 annual report of the Company and no change had been made during the year ended 31 December 2012.

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 term-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 results of such appraisal are linked with their annual remuneration. Salaries for employees are generally determined based on individual performance and are regularly reviewed. The monthly performance-based salaries are linked to the overall performance and operating results 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 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 2012, we organized a total of 169 training courses of all kinds.

MARKET RISKS

Interest Rate Risk

We are exposed to interest rate risks resulting from our borrowings. We review the mix of 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 from 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 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.

Litigation

As for the statement of claim filed by Zhejiang Zhongda Group International Trading Co., Ltd (浙江中大集團國際貿易有限公司) ("**Zhejiang Zhongda**") with the Hangzhou Intermediate People's Court in Zhejiang Province (浙江省杭州市中級人民法院) (the "**Court**") as disclosed in the interim report of the Company dated 20 September 2012, the defendants reached a settlement agreement with Zhejiang Zhongda on 21 December 2012, pursuant to which Zhejiang Zhongda shall withdraw the statement of claim against Tianrui (Hong Kong) and Tianrui Cement. On 25 December 2012, the Court issued a civil mediation (民事調解書) to affirm the effectiveness of the settlement agreement.

PROSPECTS

After the meeting of the 18th National Congress of the Communist Party of China, the PRC government has set the general tone of China's economic development, which is to seek progress while maintaining stability. The focus of the PRC government work for the future will be to further deepen reform and promote economic development, further implement the positive financial policies and prudent monetary policies, and progressively promote the urbanization.

On 17 November 2012, the State Council of the PRC has formally approved the Economic Plan for the Central China Region. The Central China Region will take advantages of its status as China's transportation backbones to promote the integral and harmonized development in the "Greater Central China Area" by focusing on industrialization, urbanization and agricultural modernization. Cement demand in Henan province, one of our primary markets, is expected to increase because of the major railway projects that are already under construction or will soon start construction, including Zhengzhou-Xuzhou express railway, Zhengzhou-airport intercity railway, Ningxia-Xining double-track railway, Zhengzhou metro line 1 and line 2, and railways from

Sanmenxia to Xizhou and from Zhoukou to Nanyang, as well as the South-to-North Water Diversion Project and their ancillary projects. The Bohai Economic Circle, including the petrochemical zones in Changxing Island and Xizhong island of Dalian city, and the Beijing-Shenyang express railway, will enter a new phase of rapid development. The strong economic development in various regions, coupled with the demand created by key infrastructure projects, will greatly promote sustainable development in the PRC cement industry.

In terms of the policies for the cement industry, in January 2013, 12 national ministries of the PRC jointly promulgated the Guiding Opinions for Accelerating the Mergers and Acquisitions among Enterprises in Key Industries (MIIT Lian Chan Ye [2013] No.16), which provided that the obsolete production capacities should be eliminated, and large enterprises are encouraged to acquire small enterprises to accelerate industry consolidation. Our Group, designated by the Ministry of Industry and Information Technology of the PRC as one of the five leading cement companies that the PRC government supports for undertaking cement industry-specific mergers and consolidation in the central China region, will certainly benefit from the polices.

In view of the conditions of the PRC cement industry in 2013, our Group will continue to expand the market share externally and strengthen management internally, and actively carry out merger and restructuring activities so as to bring greater economic benefit for our Company and create higher value for the shareholders.

DIRECTORS

Our Board currently consists of eight Directors, comprising three executive Directors, two 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	Position
Li Liufa	55	Chairman and Non-executive Director
Li Heping	56	Executive Director and Chief Executive Officer
Liu Wenying	63	Executive Director
Yu Yagang	61	Executive Director and Chief Financial Officer
Tang Ming Chien	62	Non-executive Director
Ma Chun Fung Horace	42	Independent non-executive Director
Kong Xiangzhong	58	Independent non-executive Director
Wang Ping	42	Independent non-executive Director

Chairman and Non-executive Director

Mr. Li Liufa (李留法), aged 55, 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 as a non-executive Director on 18 May 2012. 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 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 Director

Mr. Li Heping (李和平), aged 56, is an executive Director and Chief Executive Officer and a member of the Nomination Committee of our Company. Mr. Li was appointed as an executive Director and Chief Executive Officer on 9 December 2011 and was re-elected as an executive Director and Chief Executive Officer on 18 May 2012. He is primarily responsible for the implementation of development strategies, executing decisions made on investment projects and our Group's overall operation and supervision. Prior to joining our Group, Mr. Li had been 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 between March 2006 and May 2012. 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. Liu Wenying (劉文英), aged 63, is an executive Director and a member of the Remuneration Committee of our Company. Mr. Liu was appointed as an executive Director on 9 December 2011 and was re-elected as an executive Director on 18 May 2012. He is primarily responsible for capital management of our Group. Mr. Liu has extensive experience in corporate financial operations and organization management. Mr. Liu was an executive director of First Tractor Company Limited (Stock Code: 00038), a company listed on the Main Board of the Stock Exchange from September 2000 to July 2009. Mr. Liu graduated from the Party School of the Central Committee of CPC (中共中央黨校) majoring in economics management in 1997 and from the Party School of Henan Committee of CPC majoring in economics management. Mr. Liu also holds a qualification of "Senior Accountant".

Mr. Yu Yagang (郁亞杠), aged 61, is an executive Director and Chief Financial Officer of our Company. Mr. Yu was the chief financial officer of Tianrui Cement in 2009 and was appointed as an executive Director and Chief Financial Officer on 9 December 2011 and was re-elected as an executive Director and re-appointed as Chief Financial Officer of our Company on 18 May 2012. He is primarily responsible for the cost accounting, control and management of our Group's financial operation. Mr. Yu has nearly 40 years of experience in accounting. Prior to joining our Group, Mr. Yu served as the deputy chief accountant and head of the finance department of Zhongxin Heavy Machinery Company (中信重型機械公司), legal representative of Luoyang Zhongzhong Founding Factory (洛陽中重鑄鍛廠) and a director and senior management member of Tianrui Group Company Limited. Mr. Yu graduated from the Party School of the Central Committee of CPC (中共中央黨校) majoring in economics in 1994. Mr. Yu also holds a qualification of "Senior Accountant".

Non-executive Directors

Mr. Tang Ming Chien (唐明千), aged 62, is a non-executive Director of our Company. Mr. Tang was appointed as a non-executive Director on 9 December 2011 and was re-elected as a non-executive Director on 18 May 2012. From December 1996 to December 2006, he was an executive director of Winsor Industrial Corporation, Limited whose shares were previously listed on the Stock Exchange. Mr. Tang was a non-executive director of Winsor Properties Holdings Limited (Stock Code: 01036), a company listed on the Stock Exchange, from August 2001 to May 2008. Mr. Tang is currently a director of South Enterprises Limited (新南企業有限公司), a private company principally engaged in the business of textile manufacturing. He graduated with a master's degree in fiber science and technology from the University of Leeds in the United Kingdom.

Independent non-executive Directors

Mr. Ma Chun Fung Horace (馬振峰) (formerly known as Ma Ka Keung (馬家強)), aged 42, is an independent non-executive Director and the chairman of the Audit Committee of our Company. He was appointed as an independent non-executive Director and the chairman of the Audit Committee on 9 December 2011 and was re-elected as an independent non-executive Director and the chairman of the Audit Committee on 18 May 2012.

Mr. Ma is an experienced accountant with extensive experience in risk and internal control. Mr. Ma is a Certified Public Accountant (Practising) registered with the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, a Certified Internal Auditor registered with the Institute of Internal Auditors and holder of Certification of Control Self-Assessment of the Institute of Internal Auditors. Mr. Ma also holds various academic degrees, including master of science and bachelor of business administration, each conferred by the Chinese University of Hong Kong (香港中文大學). Mr. Ma has also obtained a bachelor's degree in laws conferred by the University of London (倫敦大學) through its external programs.

Mr. Ma currently holds directorships in the following publicly listed companies:

Name of the company	Stock Code	Title
Ming Fai International Holdings Limited	Stock Exchange: 03828	Independent non-executive director
Universe International Holdings Limited	Stock Exchange: 01046	Independent non-executive director
Dejin Resources Group Company Limited	Stock Exchange: 01163	Independent non-executive director

Mr. Kong Xiangzhong (孔祥忠), aged 58, is an independent non-executive Director, the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of our Company. Mr. Kong was appointed as an independent non-executive Director, the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee on 24 December 2012.

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. Wang Ping (王平), aged 42, is an independent non-executive Director of our Company, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

Mr. Wang was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee on 24 December 2012.

Mr. Wang is the chief financial officer of China Vehicle Components Technology Holdings Limited (Stock Code: 1269), a company listed on the Stock Exchange. He has nearly 15 years of experience in corporate finance, audit, accounting and taxation. Prior to joining China Vehicle Components Technology Holdings Limited, Mr. Wang Ping worked for EV Capital Pte Ltd. from May 2007 to March 2010 as vice president and subsequently as director. 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, and an independent non-executive director of Chongyi Zhangyuan Tungsten Co., Ltd. which is listed on the Shenzhen Stock Exchange since November 2010. 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.

Senior Management

Mr. Yang Yongzheng (楊勇正), aged 43, is 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. Mr. Yang joined our Group in 2004, and has served as the deputy general manager of Shangqiu Cement (商丘水泥) and Dalian Cement (大連水泥), the general manager of Yingkou Cement (營口公司) and the chairman and general manager of Liaoyang Cement (遼陽公司) ever since. He was appointed as general manager of Tianrui Cement in 2012. He obtained his bachelor degree in Petroleum and Engineering from Henan University (河南大學) in 1991 and obtained his EMBA from Peking University. In June 2012, Mr. Yang was awarded "Advanced Worker in the Mining Industry and Building Material Industry of Small and Medium Enterprises" (遼寧省中小企 業礦業建材行業先進工作者).

Mr. Jing Xianyu (井獻玉) (formerly known as Jing Xianyu (井現於)), aged 47, is an executive deputy general manager of our Group. He has extensive experience in the cement industry and is primarily responsible for managing the production, procurement and sales and human resource management of our Group. 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 of Tianrui Cement since February 2008. 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 (全國建材行業質量管理卓越領導者)" 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. Xu Wuxue (徐武學), aged 37, is the Chief Financial Officer and head of the finance department of the Group. 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. Guo Zhiwei (郭志偉), aged 41, is a deputy general manager of our Group and responsible for business development and capital operation. He has extensive experience in the cement industry and is primarily responsible for managing the comprehensive work of Zhengzhou Cement (Xingyang). 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 Fashen (李法伸) (formerly known as Li Fasen (李發森)), aged 50, is the deputy general manager of our Group, the chairman for Northeast region of the Company, the chairman of Liaoyang Cement and Yingkou Cement. He has extensive experience in the cement industry and is primarily responsible for the daily production and operation of the Group in Liaoyang City and Yingkou city of Liaoning province. Mr. Li joined our Group in 2000 and has served as the general manager of Antai Cement and the deputy general manager, general manager and chairman of Ruzhou Cement ever since. He was appointed as deputy general manager of Tianrui Cement in 2007. He graduated from Henan University (河南大學), majoring in economics management, in 1991 and obtained his executive MBA degree from Renmin University of China (中國人民大學) in 2003. He holds a qualification of "Economist". Mr. Li is Chairman Li's brother.

Mr. Zhao Ruimin (趙睿敏), aged 43, is a deputy general manager and manager of the equipment engineering department of our Group. He is primarily responsible for engineering construction and equipment management in our Group. Mr. Zhao joined our Group in 2000 and was substantially involved in the establishment of production lines of Ruzhou Cement and Zhengzhou Cement (Xingyang). He has served as deputy general manager of Tianrui Cement since February 2008. Mr. Zhao obtained his bachelor's degree in inorganic non-metal materials studies from Nanjing College of Chemical Technology (南京化工學院) in 1992 and his executive MBA degree from Peking University (北京大學) in 2009. He holds a qualification of "Senior Engineer".

Mr. Zhao Huibin (趙惠斌), aged 56, is a deputy general manager of our Group. He has over 30 years of experience in the cement industry and is primarily responsible for the development business and capital operation of our Group. Mr. Zhao joined our Group in 2002 and has served as deputy general manager of Tianrui Cement. 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. Gao Yunhong (高運紅), aged 41, is a deputy general manager of our Group and the general manager and chairman of Weihui Cement. He has extensive experience in the cement industry and is primarily responsible for the overall production and operation of the Group in Weihui, Henan Province. Mr. Gao joined the Group in 2005 and served as the deputy general manager of Ruzhou Cement, Zhengzhou Cement and Guangshan Cement (光山公司) 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週年河南省建材工業優秀企業家)".

Mr. Jia Huaping (賈華平), aged 54, is the chief engineer of our Group. He is primarily responsible for the production technology development and production and technology management of our Group. Mr. Jia has 30 years of experience in the cement industry. He joined our Group in 2008 and has served as manager of the production department, head of the technical center and deputy chief engineer of Tianrui Cement ever since. He was appointed as chief engineer of Tianrui Cement in February 2009. Mr. Jia graduated from Shandong Building Material Industry Institute (山東建築材料工業學院), majoring in inorganic material science and engineering, in 1982. Since 1978, Mr. Jia has obtained several awards relating to technology improvement. He was awarded "2009 National Excellent Chief Engineer in Cement Industry (2009年全國水泥企業優秀總工程師)" in 2010.

Mr. Li Jiangming (李江銘), aged 35, is a general management assistant of our Group. 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 general manager and director of Hong Kong Office of the Company. Before that, 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. Lv Xing (呂 行), aged 33, is a deputy chief accountant of our Group. Mr. Lv joined the Company as a deputy chief accountant in 2012 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), aged 59, 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. Yu Chunliang (喻春良), aged 43, was appointed as one of the joint company secretaries of our Company on 9 December 2011. 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 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), aged 57, was appointed as one of the joint company secretaries of our Company on 16 January 2013. 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.

Mr. Li Jiangming (李江銘), aged 35, was appointed as one of the joint company secretaries of our Company on 1 March 2013. Details of Mr. Li's profile are set out in "Senior Management" of this Annual Report.

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 2012 (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 activities of the Group during the year ended 31 December 2012 are set out in Note 50 to the Consolidated Financial Statements of this Annual Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the Consolidated Financial Statements of this Annual Report.

The Board proposed not to declare any final dividend for the year ended 31 December 2012.

FIVE-YEAR FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year ended 31 December 2012 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 32, 33 and 35 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 2012.

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2012 are set out in the Consolidated Financial Statements of this Annual Report.

DISTRIBUTABLE RESERVES OF THE GROUP

The Company's reserves available for distribution to shareholders as at 31 December 2012 amounted to RMB 3,014.0 million (31 December 2011: RMB 2,304.6 million).

SUFFICIENCY OF 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 the 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 (the "**Articles of Association**") or applicable laws of the Cayman Islands where the Company was incorporated.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors of the Company for the year ended 31 December 2012 were:

Chairman and Non-executive Director

Mr. Li Liufa (Chairman)

Executive Directors

Mr. Li Heping
Mr. Liu Wenying
Mr. Yu Yagang

Non-executive Director

Mr. Tang Ming Chien

Independent Non-executive Directors

Mr. Ma Chun Fung Horace
Mr. Kong Xiangzhong (appointed on 24 December 2012)
Mr. Wang Ping (appointed on 24 December 2012)
Mr. Poon Chiu Kwok (retired on 24 December 2012)
Mr. Song Quanqi (resigned on 24 December 2012)
Mr. Wang Yanmou (resigned on 24 December 2012)

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 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 independent non-executive Directors) and one year (as for non-executive Directors), respectively. The appointments are subject to the provisions of retirement and rotation of directors under the Articles of Association of our Company.

Details of the Directors subject to re-election or retirement by rotation at the forthcoming annual general meeting are set out in sections "Corporate Governance Report" and "Appointment, re-election and removal of Directors".

None of the Directors proposed 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.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Mr. Ma Chun Fung Horace, Mr. Wang Ping and Mr. Kong Xiangzhong, the confirmation of their respective independence pursuant to rule 3.13 of the Listing Rules. The Company considers that our independent non-executive Directors have been independent from the date of their appointment to 31 December 2012 and remain 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 2012, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules, were as follows:

Name of Director	Capacity/Nature of Interests	Total number of shares	Approximate percentage of shareholding(%)
Mr. Li Liufa (1)	Interests in controlled corporation/ Long position	950,000,000	39.57
Mr. Tang Ming Chien (2)	Interests in controlled corporation/ Long position	689,400,000	28.71
	Interests in controlled corporation/ Short position	449,400,000	18.72

(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 controlled by Mr. Li Liufa through Holy Eagle Company Limited (神鷹有限公司) ("**Holy Eagle**") (the wholly-owned company of Mr. Li Liufa).

(2) Mr. Tang Ming Chien is deemed to be interested in the Shares held by Wan Qi Company Limited ("**Wan Qi**") by virtue of Wan Qi being controlled by Mr. Tang Ming Chien.

Save as disclosed above, as at 31 December 2012, 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 for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2012 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.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2012, none of the Directors or controlling shareholders (as defined under the Listing Rules) was interested in any business which competes or is likely to compete (directly or indirectly) with the businesses of the Group.

We have received an annual written confirmation from Mr. Li Liufa in respect of the compliance by Mr. Li Liufa and his associates with the provisions of the non-competition deed entered into between our Company and Mr. Li Liufa on 9 December 2011 (the "**Non-competition Deed**").

Our independent non-executive Directors have reviewed the compliance with the Non-competition Deed based on information and confirmation provided by or obtained from Mr. Li Liufa and his associates (as defined under the Listing Rules), and were satisfied that Mr. Li Liufa and his associates have duly complied with the Non-competition Deed.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed above, no contract to which the Company, or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at 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 Directors' qualifications, duties, responsibilities and our performance and results.

The details of the emoluments paid to the Directors and the five highest paid employees of the Company during the year ended 31 December 2012 are set out in Note 12 and Note 13, respectively, to the Consolidated Financial Statements of this Annual Report.

RETIREMENT SCHEMES

The employees of the Group members in the PRC are members of the state-managed employee benefit plans operated by the PRC government. 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 2012 were RMB22.3 million. Particulars of these plans are set out in Note 44 to the Consolidated Financial Statements of this Annual Report.

MANAGEMENT CONTRACTS

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 ended 31 December 2012.

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

As at 31 December 2012, to the best knowledge of the Directors and the senior management of the Company, the followings are the persons (not being a Director or chief executive of the Company), who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of Shareholder	Capacity/ Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Yu Kuo	Beneficial owner/ Long position(1)	950,000,000	39.57
Holy Eagle	Interests in controlled corporation/ Long position(1)	950,000,000	39.57
Yu Qi	Interests in controlled corporation/ Long position(1)	950,000,000	39.57
Mr. Li Liufa	Interests in controlled corporation/ Long position(1)	950,000,000	39.57
Mr. Li Xuanyu	Interests in controlled corporation/ Long position(1)	950,000,000	39.57
Wan Qi	Beneficial owner/ Long position(2)	689,400,000	28.71
	Short position	449,400,000	18.72
Mr. Tang Ming Chien	Interests in controlled corporation/ Long position(2)	689,400,000	28.71
	Short position	449,400,000	18.72
Titan Investments (Cayman)	Beneficial owner/ Long position(3)	400,000,000	16.66
	Short position	240,000,000	10.00
KKR Asian Fund L.P.	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
	Short position	240,000,000	10.00
KKR Associates Asia L.P.	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
	Short position	240,000,000	10.00
KKR SP Limited	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
	Short position	240,000,000	10.00
KKR Asia Limited	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
	Short position	240,000,000	10.00
KKR Fund Holdings L.P.	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
	Short position	240,000,000	10.00
KKR Fund Holdings GP Limited	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
	Short position	240,000,000	10.00
KKR Group Holdings L.P.	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
	Short position	240,000,000	10.00
KKR Group Limited	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
	Short position	240,000,000	10.00
KKR & Co. L.P.	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
	Short position	240,000,000	10.00
KKR Management LLC	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
	Short position	240,000,000	10.00
Mr. Henry R. Kravis and Mr. George R. Roberts	Interests in controlled corporation/ Long position(3)	400,000,000	16.66
	Short position	240,000,000	10.00

Name of Shareholder	Capacity/ Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
JPMorgan PCA Holdings (Mauritius) I Limited	Beneficial owner/ Long position(4)	200,600,000	8.36
JPMorgan Private Capital Asia Fund I, L.P.	Interests in controlled corporation/ Long position(4)	200,600,000	8.36
	Short position	33,433,340	1.39
JPMorgan Private Capital Asia General Partner, L.P.	Interests in controlled corporation/ Long position(4)	200,600,000	8.36
	Short position	33,433,340	1.39
JPMorgan Private Capital Asia GP Limited	Interests in controlled corporation/ Long position(4)	200,600,000	8.36
	Short position	33,433,340	1.39
JPMorgan Private Capital Asia Corp	Interests in controlled corporation/ Long position(4)	200,600,000	8.36
	Short position	33,433,340	1.39
JPMorgan Chase & Co.	Interests in controlled corporation/ Long position(4)	200,600,000	8.36
	Short position	33,433,340	1.39

(1) The entire issued share capital of Yu Kuo is legally and beneficially owned by Holy Eagle and Yu Qi. Mr. Li Liufa is deemed to be interested in the Shares held by Yu Kuo by virtue of Yu Kuo being controlled by Mr. Li Liufa through Holy Eagle (the wholly-owned company of Mr. Li Liufa). Mr. Li Xuanyu is deemed to be interested in the Shares held by Yu Kuo by virtue of Yu Kuo being controlled by Mr. Li Xuanyu through Yu Qi (the wholly-owned company of Mr. Li Xuanyu).

(2) The entire issued share capital of Wan Qi is legally and beneficially owned by Mr. Tang Ming Chien. Mr. Tang Ming Chien is deemed to be interested in the Shares held by Wan Qi by virtue of Wan Qi being controlled by Mr. Tang Ming Chien.

(3) Each of KKR Asian Fund L.P. (as the controlling shareholder of Titan Investments (Cayman)), KKR Associates Asia L.P. (as the general partner of KKR Asian Fund L.P.), KKR SP Limited (as the voting partner of KKR Associates Asia L.P.), KKR Asia Limited (as the general partner of KKR Associates Asia L.P.), KKR Fund Holdings L.P. (as the sole shareholder of KKR Asia Limited), KKR Fund Holdings GP Limited (as a general partner of KKR Fund Holdings L.P.), KKR Group Holdings L.P. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited), KKR Group Limited (as the general partner of KKR Group Holdings L.P.), KKR & Co. L.P. (as the sole shareholder of KKR Group Limited), KKR Management LLC (as the general partner of KKR & Co. L.P.), and Mr. Henry R. Kravis and Mr. George R. Roberts (as designated members of KKR Management LLC) is deemed to be interested in 400,000,000 Shares as of 31 December 2012. Mr. Henry R. Kravis and Mr. George R. Roberts disclaim beneficial ownership of the Shares held by Titan Investments (Cayman).

(4) Each of JPMorgan Private Capital Asia Fund I, L.P. (as the controlling shareholder of JPMorgan PCA), JPMorgan Private Capital Asia General Partner, L.P. (as the general partner of JPMorgan Private Capital Asia Fund I, L.P.), JPMorgan Private Capital Asia GP Limited (as the general partner of JPMorgan Private Capital Asia General Partner, L.P.), JPMorgan Private Capital Asia Corp (as the sole shareholder of JPMorgan Private Capital Asia GP Limited) and JPMorgan Chase & Co. (as the holding company of JPMorgan Private Capital Asia Corp.) is deemed to be interested in 200,600,000 Shares held by JPMorgan PCA pursuant to Section(s) 316(2) and/or 316(3) under Part XV of the SFO.

Saved as disclosed above, as at 31 December 2012, no other persons have interest or short position 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 recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

SHARE-BASED INCENTIVE SCHEMES

Share Option Scheme

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 12 December 2011 (the "Adoption Date"). Pursuant to the Share Option Scheme, the Board may, at its discretion, invite all directors, any employee (whether full-time or part-time), any consultant or adviser of or to the Company or the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to the Company or the Group, to participate in the Share Option Scheme to subscribe for the ordinary shares of the Company. The period within which the options must be exercised shall be determined by the Directors at the time of grant and such period must expire no later than ten years from the date the offer has been made to the grantees (the "**Option Period**"). All outstanding options shall lapse when the Option Period expires, the employment of the holder ceases or where the holder is no longer a member of the Group.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 30 percent of the shares in issue from time to time where there are options to be granted and yet to be exercised. The total number of shares issued and to be issued upon exercise of the options granted to each qualified person under the Share Option Scheme or any other share option schemes adopted by the Company in any 12 month period must not exceed one percent of the shares in issue. Any further grant of options which would result in the number of shares exceeding one percent requires a shareholders' approval with the relevant participant and its associates abstaining from voting.

As at 31 December 2012, no option has been granted under the Share Option Scheme.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2012, 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 Chapter 14A of the Listing Rules.

In accordance with rule 14A.36 of the Listing Rules, if an annual cap in respect of a given transaction is exceeded or when there is a material change to the terms of the relevant agreement, the Company must re-comply with rules 14A.35(3) and (4) of Chapter 14A of the Listing Rules in relation to such connected transactions. Since each of the applicable percentage ratios with reference to the revised annual caps in respect of Zhoukou Cement's purchase of clinker from Ruiping Shilong and the Clinker Supply Framework Agreement entered into between Tianrui Cement, a wholly-owned subsidiary of our Company and Ruiping Shilong is more than 0.1% but less than 5%, on an aggregate annual basis, the Company is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement according to the Listing Rules, and made an announcement in strict compliance with requirements under rule 14A.47 of the Listing Rules on 26 September 2012.

Purchase of Clinker

With the continuing development of our Group and based on internal estimates of the demand, the management noted that the proposed annual caps for 2012 and 2013 for transactions under the Clinker Supply Framework Agreement entered into by Zhoukou Cement and Ruiping Shilong as set out in the waiver granted by the Stock Exchange would not be sufficient, and therefore decided to revise such caps for 2012 and 2013 to RMB80 million on 26 September 2012.

For the year ended 31 December 2012, the actual amount paid by Zhoukou Cement to Ruiping Shilong for purchase of clinker was RMB29.9 million.

On 26 September 2012, Tianrui Cement entered into the Clinker Supply Framework Agreement with Ruiping Shilong for purchase of clinker from Ruiping Shilong with a term commencing from 26 September 2012 and expiring on 31 December 2013.

The proposed annual caps of consideration payable by Tianrui Cement to Ruiping Shilong for purchase of clinker for the years ended 31 December 2012 and ending 31 December 2013 are both RMB100 million. For the year ended 31 December 2012, the actual amount paid by Tianrui Cement to Ruiping Shilong for purchase of clinker was RMB11.2 million.

Pursuant to rule 14A.37 of the Listing Rules, the above continuing connected transactions have been reviewed by the independent non-executive Directors of our Company, who confirmed that these continuing connected transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) either on normal commercial terms or on terms no less favorable to us than terms available to or from independent third parties; 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 have issued a letter containing their conclusion in respect of the continuing connected transactions as disclosed by the Group above in accordance with Rule 14A.38.

Related parties transactions

During the year ended 31 December 2012, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of these related party transactions are disclosed in Note 45 to the Consolidated Financial Statements of this Annual Report. Such related parties transactions are either exempted connected transactions or do not constitute connected transactions. The Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules during the year under review.

MAJOR CUSTOMERS AND SUPPLIERS

For the current financial year ended 31 December 2012, 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

During the year ended 31 December 2012, 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.

For the period from 1 January 2012 to 31 March 2012, our Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "**Old Code**") formerly set out in the then Appendix 14 to the Listing Rules and for the period from 1 April 2012 to 31 December 2012, our Company has adopted the code provisions set out in the Corporate Governance Code (the "**New Code**", together with the Old Code, the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules as its own code on corporate governance practice. Our Company has been in compliance with all code provisions set out in the Corporate Governance Code throughout the year ended 31 December 2012.

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.

SUBSEQUENT EVENTS

(a) Tianrui Cement entered into an equity transfer agreement with Yang Qinggeng and Lv Meihua,both of whom are independent third parties on 6 January 2013, pursuant to which Tianrui Cement shall acquire 70% equity interest in Liaoyang City Chengxing Cement Manufacture Co., Ltd. (遼陽市誠興水泥製造有限公司) from Yang Qinggeng and Lv Meihua at a consideration of RMB80.45 million in 2013.

(b) Tianrui Cement entered into a share transfer agreement with two independent third parties, Mr. Yu Hongyang and Ms. Sun Lina on 30 January 2013. Pursuant to this agreement, Tianrui Cement will acquire 100% of the equity interest of Dalian Golden-coasts Construction Material Group Company Limited ("Golden-coasts Group") (大連金海岸建材集團有限公司) from Mr. Yu Hongyang and Ms. Sun Lina in 2013 for a consideration of RMB45,000,000.

(c) Tianrui Cement entered into an equity transfer agreement with Zhou Fei (周 飛) and Zhou Zhen (周 臻), both of whom are independent third parties on 25 February 2013, pursuant to which Tianrui Cement shall acquire 100% equity interest in Xincai Country Xin Hui Cement and Construction Materials Co., Ltd. (新蔡縣新輝水泥建材有限公司) from Zhou Fei (周飛) and Zhou Zhen (周臻) at a consideration of RMB52.5 million in 2013.

As of the date of this report, neither of the three acquisitions has been completed.

(d) On 4 February 2013, the Group issued the first tranche of short-term debentures of RMB600,000,000 through the lead underwriter, China Guangfa Bank Company Limited, with maturity of one year. The first tranche of short term debentures carries fixed interest at 4.77% per annum.

(e) Tianrui Cement, a wholly-owned subsidiary of our Company, has successfully completed an issuance of corporate bonds in an aggregate principal amount of RMB2 billion to institutional investors in the PRC on 6 February 2013, which have a term of eight years and bear interest at a rate of 7.10% per annum (the "2013 Tianrui Cement Corporate Bonds"). The 2013 Tianrui Cement Corporate Bonds are jointly and severally guaranteed by Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司) and Tianrui Group Travel Development Company Limited (天瑞集團旅遊發展有限公司), both of which are subsidiaries of Tianrui Group. The guarantees have been provided at no cost to Tianrui Cement.

During the year ended 31 December 2012 and up to the date of this Annual Report, save as disclosed above and in the section "Management Discussion and Analysis", the Group has no any other material acquisition and disposal of subsidiaries and associates that is required to be disclosed.

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 general meeting.

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 2012 to 31 March 2012, our Company has adopted the code provisions set out in the Old Code formerly set out in the then Appendix 14 to the Listing Rules and for the period from 1 April 2012 to 31 December 2012, our Company has adopted the code provisions set out in the New Code contained in Appendix 14 to the Listing Rules as its own code on corporate governance practice. Our Company has been in compliance with all code provisions set out in the Corporate Governance Code throughout the year ended 31 December 2012.

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 2012.

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. During the year ended 31 December 2012, 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 2012, 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 three executive Directors, being Mr. Li Heping, Mr. Liu Wenying and Mr. Yu Yagang; two non-executive Directors, being Mr. Li Liufa (the chairman of the Board) and Mr. Tang Ming Chien; and three independent non-executive Directors, being Mr. Ma Chun Fung Horace, Mr. Kong Xiangzhong and Mr. Wang Ping. Mr. Li Liufa and Mr. Li Heping are appointed as the chairman of the Board and chief executive officer of the Company, respectively. The profiles of Directors are set out in the section headed "Profiles of Directors and Senior Management" in this Annual Report.

Non-executive Directors

Our Company has two non-executive Directors, being Mr. Li Liufa and Mr. Tang Ming Chien, with a term of three years commencing from 31 December 2011 and expiring on 31 December 2014.

Independent Non-executive Directors

The three independent non-executive directors of the Company are Mr. Ma Chun Fung Horace, Mr. Kong Xiangzhong and Mr. Wang Ping, with a term of one year commencing from 24 December 2012 and expiring on 23 December 2013.

Appointment, re-election and removal of Directors

Our Company has established a 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.4.2 of Appendix 14 of the 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 meeting. 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.

BOARD MEETINGS

The Board conducts meetings on a regular basis to discuss the overall strategy and operational and financial performance of our Group. During the year ended 31 December 2012, the Board held six meetings 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. Li Heping	6/6
Mr. Liu Wenying	6/6
Mr. Yu Yagang	6/6
Non-executive Directors	
Mr. Li Liufa	6/6
Mr. Tang Ming Chien	6/6
Independent Non-executive Directors	
Mr. Ma Chun Fung Horace	6/6
Mr. Wang Yanmou (Resigned)	6/6
Mr. Poon Chiu Kwok (Retired)	6/6
Mr. Song Quanqi (Resigned)	5/6
Mr. Kong Xiangzhong	0/6
Mr. Wang Ping	0/6

As noted above, Mr. Song Quanqi failed to attend one of the Board meetings for his personal reasons and he appointed Mr. Li Heping to attend on his behalf. Because the appointment of Mr. Kong Xiangzhong and Mr. Wang Ping as Directors became effective on 24 December 2012 and the Board and its committees did not hold any meeting during the period from that date to 31 December 2012, there is no attendance record of these two newly appointed directors at the relevant meetings.

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) on 8 January 2013 in compliance with requirements under rule 14A.2.7 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 one general meeting, being the annual general meeting, for the year ended 31 December 2012. The attendance record of Directors who shall attend is as follows:

List of Directors who shall attend	Attendance/ Number of meetings held
Executive Directors	
Mr. Li Heping	1/1
Mr. Liu Wenying	1/1
Mr. Yu Yagang	0/1
Non-executive Directors	
Mr. Li Liufa	1/1
Mr. Tang Ming Chien	1/1
Independent Non-executive Directors	
Mr. Ma Chun Fung Horace	1/1
Mr. Wang Yanmou (Resigned)	1/1
Mr. Poon Chiu Kwok (Retired)	1/1
Mr. Song Quanqi (Resigned)	1/1
Mr. Kong Xiangzhong	0/1
Mr. Wang Ping	0/1

The appointment of Mr. Kong Xiangzhong and Mr. Wang Ping as Directors became effective on 24 December 2012 and there was no general meeting held during the period from that date to 31 December 2012, therefore there is no attendance record of these two newly appointed directors at the relevant 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.

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 2012, the Directors (Mr. Li Liufa, Mr. Li Heping, Mr. Liu Wenying, Mr. Yu Yagang, Mr. Tang Ming Chien and Mr. Ma Chun Fung Horace, the resigned Directors Mr. Wang Yanmou and Mr. Song Quanqi and the retired Director Mr. Poon Chiu Kwok) had participated respectively in training courses organized by law firms in Hong Kong on directors' responsibilities, code of corporate governance and listing rules. And each newly appointed director was provided information about the Group's structure, business and operations by the Company Secretary upon commencement of office to enhance their understanding on the Group. In addition, the Directors also acquire understanding of the general responsibilities and functions of directors through personal studies, including reading A Guide on Directors' Duties published by the Hong Kong Companies Registry and the Guidelines for Directors and Guide for INEDs published by the Hong Kong Institute of Directors.

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, internal control of the Company and its subsidiaries ("**Group**") and the Group's compliance with the relevant laws and regulations, including but not limited 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 (d) the performance of duties of the independent auditor and the internal audit department of the Company.

The Audit Committee currently comprises three members, being Mr. Ma Chun Fung Horace, Mr. Kong Xiangzhong and Mr. Wang Ping. Mr. Ma Chun Fung Horace is the chairman of the Audit Committee.

The Audit Committee shall meet at least twice every year. For the year ended 31 December 2012, the Audit Committee held a total of five meetings, among which four meetings were held with the auditors of our Company at which it mainly reviewed and approved the annual audit report for 2011 and the interim review report for 2012 issued by Deloitte; discussed the establishment and control of the internal audit of our Company; and discussed, considered and approved the relevant matters, including the appointment of Deloitte to provide the non-audit services and the annual audit strategies for 2012. Mr. Ma Chun Fung Horace, Mr. Poon Chiu Kwok and Mr. Wang Yanmou attended such meetings. Because Mr. Kong Xiangzhong and Mr. Wang Ping did not become a member of the Audit Committee until 24 December 2012 and the Audit Committee did not hold any meeting during the period from that day to 31 December 2012, there is no attendance record of these two newly appointed Directors.

On 25 February 2013, 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 2012.

Nomination Committee

The responsibilities of the Nomination Committee are to 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. Li Heping and Mr. Wang Ping. Mr. Kong Xiangzhong is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once every year. For the period from 1 January 2012 to 31 December 2012, the Nomination Committee held one meeting at which it mainly discussed the retirement by rotation and re-election of those Directors of the Board and discussed the resignation and retirement of Directors and the nomination of new Directors. The Nomination Committee also has determined the policy for the nomination of directors, the nomination procedures and the process and criteria adopted by the nomination committee. Mr. Wang Yanmou, Mr. Song Quanqi and Mr. Li Heping attended such meeting. Because Mr. Kong Xiangzhong and Mr. Wang Ping did not become a member of the Nomination Committee until 24 December 2012 and the Nomination Committee did not hold any meeting during the period from that day to 31 December 2012, there is no attendance record of these two newly appointed Directors.

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 code provision B.1.2(c)(i) to determine the remuneration packages of all Directors and senior management on behalf of the board. The Remuneration Committee comprises three members, being Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Liu Wenying. Mr. Wang Ping is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once every year. For the period from 1 January 2012 to 31 December 2012, the Remuneration Committee held one meeting at which it mainly discussed and approved the overall remuneration policy and structure of all Directors and senior management of the Group. The Remuneration Committee also has determined the policy for the remuneration of executive directors, assessed performance of executive directors and approved the terms of executive directors' service contracts. Mr. Song Quanqi, Mr. Poon Chiu Kwok and Mr. Liu Wenying attended such meeting. Because Mr. Kong Xiangzhong and Mr. Wang Ping did not become a member of the Remuneration Committee until 24 December 2012 and the Remuneration Committee did not hold any meeting during the year ended 31 December 2012, there is no attendance record of these two newly appointed Directors.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration policy of the senior management has been recommended, reviewed and approved by our Nomination 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 2012 can be divided into two bands: three members of senior management whose remuneration are more than RMB500,000 and the other nine members of senior management are below RMB500,000.

INFORMATION ON DIRECTOR'S CHANGE DURING THE REPORTING PERIOD

Under Rule 13.51B of the Listing Rules, change of Director's information is set out as follows:

Information on Resigned and Retired Directors

Mr. Wang Yanmou and Mr. Song Quanqi have resigned as the independent non-executive Directors of our Company due to their personal development, and Mr. Poon Chiu Kwok has retired as an independent non-executive Director upon expiry of his service contract with our Company, all with effect from 24 December 2012. Upon his resignation as an independent non-executive Director of our Company, Mr. Wang Yanmou ceased to be the chairman of the Nomination Committee and a member of the Audit Committee of our Company; Mr. Song Quanqi ceased to be the chairman of the Remuneration Committee and a member of the Nomination Committee of our Company; and Mr. Poon Chiu Kwok ceased to be a member of the Audit Committee and the Remuneration Committee of our Company. Each of Mr. Wang Yanmou, Mr. Song Quanqi and Mr. Poon Chiu Kwok has confirmed that he has no disagreement with the Board and there are no matters in relation to his retirement that need to be brought to the attention of the shareholders of our Company.

INDEPENDENT AUDITOR'S APPOINTMENT AND COMPENSATION

The independent auditor of our Company is Deloitte Touche Tohmatsu. For the year ended 31 December 2012, 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'000)*
Audit of annual report	300.0
Non-audit services (including the review of interim results of 2011, etc.)	270.0
Total	570.0

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 2012, 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 2012, are set out in the section headed the "Independent Auditors' Report" in this Annual Report.

JOINT COMPANY SECRETARY

Ms. Kwong Yin Ping Yvonne was appointed a joint company secretary of the Company. Ms. Kwong is the managing director 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.

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.

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 yucl@tianruigroup.cn 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 year ended 31 December 2012. 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
(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 37 to 105, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of 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 state of affairs of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
1 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Revenue	6, 7	**7,590,897**	8,263,395
Cost of sales		**(5,692,139)**	(5,830,467)
Gross profit		**1,898,758**	2,432,928
Other income and other gains and losses	8	**376,844**	286,509
Distribution and selling expenses		**(272,998)**	(260,783)
Administrative expenses		**(362,204)**	(262,287)
Other expenses		**(43,326)**	(34,545)
Finance costs	9	**(570,023)**	(475,269)
Profit before tax		**1,027,051**	1,686,553
Income tax expense	10	**(264,262)**	(413,365)
Profit for the year and total comprehensive income for the year	11	**762,789**	1,273,188
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the Company		**783,393**	1,274,538
Non-controlling interests		**(20,604)**	(1,350)
		762,789	1,273,188

	Notes	2012 RMB	2011 RMB
Earnings per share			
Basic	14	**0.33**	0.63
Diluted	14	**0.33**	0.63

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**11,062,558**	10,034,915
Deposits paid	17	**144,209**	230,563
Prepaid lease payments	18	**696,340**	602,491
Mining rights	19	**219,536**	222,533
Goodwill	20	**18,964**	12,275
Other intangible assets	21	**9,036**	—
Interest in an associate	22	—	—
Deferred tax assets	37	**37,360**	15,285
		12,188,003	11,118,062
CURRENT ASSETS			
Inventories	23	**1,140,232**	1,203,151
Trade and other receivables	24	**2,454,522**	2,454,932
Available-for-sale investments	25	—	4,000
Amounts due from a related party	26	**3,989**	572
Investments held for trading	27	—	250,000
Restricted bank balances	28	—	659,315
Pledged bank balances	28	**2,499,873**	1,315,333
Cash and bank balances	29	**553,677**	232,480
		6,652,293	6,119,783
CURRENT LIABILITIES			
Trade and other payables	30	**4,382,843**	4,201,433
Amounts due to a related party	31	**500**	639
Tax liabilities		**78,876**	110,629
Short term debenture	32	**1,000,000**	500,000
Borrowings - due within one year	33	**4,902,903**	4,946,852
Obligations under finance leases	34	**45,175**	—
		10,410,297	9,759,553
NET CURRENT LIABILITIES		**3,758,004**	3,639,770
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,429,999**	7,478,292

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CAPITAL AND RESERVES			
Issued capital	40	**19,505**	19,505
Reserves		**3,290,080**	3,191,882
Retained earnings		**3,013,979**	2,304,573
Equity attributable to owners of the Company		**6,323,564**	5,515,960
Non-controlling interests		**19,896**	38,650
TOTAL EQUITY		**6,343,460**	5,554,610
NON-CURRENT LIABILITIES			
Borrowings - due after one year	33	**661,000**	1,410,010
Mid-term debenture	35	**1,000,000**	300,000
Other payables	36	**20,250**	30,237
Deferred tax liabilities	37	**18,298**	24,222
Deferred income	38	**191,221**	149,804
Obligations under finance leases	34	**184,286**	—
Provision for environmental restoration	39	**11,484**	9,409
		2,086,539	1,923,682
		8,429,999	7,478,292

The consolidated financial statements on pages 37 to 105 were approved and authorised for issue by the board of directors on 1 March 2013 and signed on its behalf by:

Li Liufa
DIRECTOR

Li Heping
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Issued capital/ paid-in capital	Share premium	Capital reserve	Statutory reserve fund	Other reserve	Revaluation reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 40)		(note i)	(note ii)		(note iii)				
At 1 January 2011	1,397,135	—	789,990	155,735	3,431	31,768	1,158,053	3,536,112	—	3,536,112
Profit for the year and total comprehensive income for the year	—	—	—	—	—	—	1,274,538	1,274,538	(1,350)	1,273,188
Issue of shares for reorganization	8	—	—	—	—	—	—	8	—	8
Reserve arising from reorganization (note iv)	(1,397,135)	565,516	—	—	831,615	—	—	(4)	—	(4)
Capitalisation of shares	16,240	(16,240)	—	—	—	—	—	—	—	—
Issue of new shares to public	3,257	781,659	—	—	—	—	—	784,916	—	784,916
Issue costs of new shares	—	(79,610)	—	—	—	—	—	(79,610)	—	(79,610)
Capital injection by non-controlling shareholders to Tianjin Tianrui Cement Company Limited	—	—	—	—	—	—	—	—	40,000	40,000
Transfer	—	—	—	128,018	—	—	(128,018)	—	—	—
At 31 December 2011	19,505	1,251,325	789,990	283,753	835,046	31,768	2,304,573	5,515,960	38,650	5,554,610
Profit for the year and total comprehensive income for the year	—	—	—	—	—	—	783,393	783,393	(20,604)	762,789
Acquisition of subsidiary	—	—	—	—	—	—	—	—	1,850	1,850
Transfer	—	—	—	73,987	—	—	(73,987)	—	—	—
Over-provision of issue costs of new shares in previous year	—	24,211	—	—	—	—	—	24,211	—	24,211
At 31 December 2012	**19,505**	**1,275,536**	**789,990**	**357,740**	**835,046**	**31,768**	**3,013,979**	**6,323,564**	**19,896**	**6,343,460**

Note:

i Capital reserve represents the excess of capital injection over the registered capital of Tianrui Group Cement Company Limited (the "Tianrui Cement").

ii According to the relevant requirements in the memorandum of the People's Republic of China (the "PRC") subsidiaries, a portion of their profits after taxation is transferred to statutory reserve fund. The transfer to this fund must be made before the distribution of dividend to the equity owners. The statutory reserve fund can be used to make up previous years' losses, if any. The statutory reserve fund is non-distributable other than upon liquidation.

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

iv The China Tianrui Group Cement Company Limited (the "Company") was incorporated on 7 February 2011 and became the ultimate holding company of Zhong Yuan Cement Company Limited (the "Zhong Yuan Cement") and China Tianrui (Hong Kong) Company Limited ("Tianrui (HK)") and Tianrui Cement and its subsidiaries (collectively referred to as the "Group") on 8 April 2011. As part of reorganization, Yu Kuo Company Limited applied a bridging loan in the net amount of USD87,433,333 to pay up 474,526 shares. The amount of USD87,433,333 (equal to approximately RMB565,516,000) in excess of the par value of 474,526 shares was recognized in share premium upon the completion of the corporate reorganization.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
Operating activities		
Profit for the year	**762,789**	1,273,188
Adjustments for:		
Income tax	**264,262**	413,365
Release of deferred income	**(5,501)**	(5,161)
Interest on bank deposits	**(29,197)**	(21,577)
Depreciation of property, plant and equipment	**579,124**	498,387
Finance costs	**570,023**	475,269
Foreign exchange loss (gain)	**803**	(11,102)
Amortisation of prepaid lease payments	**12,900**	11,172
(Reversal) allowances for bad and doubtful debts	**(5,991)**	2,070
Impairment loss of property, plant and equipment	**—**	2,561
Amortisation of mining rights	**12,822**	10,714
Amortisation of other intangible assets	**317**	—
(Gain) loss on disposal of property, plant and equipment	**(1,803)**	1,131
Gain on sales of available-for-sale investments	**(5)**	—
Provision for environmental restoration	**2,075**	2,834
Operating cash flows before movements in working capital	**2,162,618**	2,652,851
Decrease (increase) in inventories	**68,462**	(402,290)
Decrease (increase) in trade and other receivables	**16,805**	(1,269,515)
Decrease (increase) in investments held for trading	**250,000**	(250,000)
Change in amount due from (to) related parties	**(3,556)**	3,871
(Increase) decrease in trade and other payables	**(277,343)**	2,085,878
Cash generated from operations	**2,216,986**	2,820,795
Income tax paid	**(324,014)**	(392,780)
Net cash from operating activities	**1,892,972**	2,428,015

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Investing activities			
Interest received		**29,197**	21,577
Acquisition of a subsidiary	48	**40,847**	—
Purchase of property, plant and equipment		**(265,063)**	(195,940)
Addition of prepaid lease payments		**(108,898)**	(116,870)
Acquisition of mining rights		**(10,825)**	(15,850)
Proceeds from disposal of property, plant and equipment		**7,981**	12,621
Proceeds from disposal of available-for-sale investment		**4,005**	—
Advances to related parties		—	(20,367)
Repayment from related parties		—	56,615
Deposits paid for property, plant and equipment and prepaid lease payments		**(1,048,771)**	(1,397,885)
Government grants for prepaid lease payments and property, plant and equipment		**46,918**	43,239
Increase in restricted bank balances		**(525,225)**	(550,760)
Net cash used in investing activities		**(1,829,834)**	(2,163,620)
Financing activities			
Interest paid		**(540,197)**	(551,675)
Net proceed from issue of new shares for reorganization		—	565,520
Net proceed from issue of new shares to public		—	705,306
Refund of issue costs of new shares		**24,211**	—
Capital injection from non-controlling shareholders to Tianjin Tianrui		—	40,000
Repayment of borrowings		**(5,377,795)**	(3,194,903)
New borrowings raised		**4,560,690**	3,333,846
Proceeds from sale and lease back transactions		**250,000**	—
Repayment of finance lease obligations		**(20,539)**	—
Advances from related parties		—	6,309
Proceeds from bills discounted by the Group		**891,649**	1,065,000
Settlement from bills discounted by the Group		**(939,960)**	(634,352)
Proceeds from bills payables raised		**1,716,550**	632,961
Settlement of bills payables		**(1,506,550)**	(2,061,810)
Repayment to related parties		—	(15,997)
Payment for transfer in of equity interests of Tianrui Cement from Tianrui Group Company Limited		—	(565,516)
Issuance of mid-term debenture		**700,000**	300,000
Issuance of short-term debenture		**1,000,000**	500,000
Repayment of short-term debenture		**(500,000)**	(500,000)
Net cash from (used in) financing activities		**258,059**	(375,311)
Increase (decrease) in cash and cash equivalents		**321,197**	(110,916)
Cash and cash equivalents at beginning of year		**232,480**	343,396
Cash and cash equivalents at end of the year represented by cash and bank balances		**553,677**	232,480

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 50)

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

2. BASIS OF PREPARATION OF CONSOLIATED FINANCIAL STATEMENTS

As at 31 December 2012, the Group's current liabilities exceeded its current assets by RMB3,758,004,000. The Group's current liabilities mainly included trade and other payables, borrowings and short term debenture.

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

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

(i) banking facilities of RMB3,360,000,000 in aggregate are available which are obtained before 31 December 2012, which comprised of:

(a) a banking facility of RMB1,180,000,000 from the Bank of China which is available until 31 December 2013;

(b) a banking facility of RMB1,390,000,000 from the Agricultural Bank of China which is available until 22 June 2013;

(c) a banking facility of RMB790,000,000 from the Industry Commercial Bank of China which is available until 13 December 2013.

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

(ii) On 24 January 2013, the Company obtained approval from the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) to issue short term debentures in an aggregate amount of RMB600,000,000 with two years effective period.

On 4 February 2013, the Group issued the first tranche of short term debentures of RMB600,000,000 through the lead underwriter, China Guangfa Bank Company Limited, with maturity of one year. The first tranche of short term debentures carries fixed interest at 4.77% per annum.

During the effective period of approval from the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會), the directors of the Company is 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.

(iii) On 6 February 2013, the Group completed an issuance of corporate bonds in an aggregate principal amount of RMB 2 billion with a term of eight years and a rate of 7.10% per annum.

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

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

In the current year, the following amendments to standards issued by the International Accounting Standards Board has been effective.

Amendments to IAS 12	Deferred Tax: Recovery of Underlying Asset;
Amendments to IFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets.

Amendments to IFRS 7 Disclosures - Transfers of Financial Assets

The Group has applied for the first time the amendments to IFRS 7 Disclosures - Transfers of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various banks to transfer to the banks its contractual rights to receive cash flows from certain bills receivables. The arrangements are made through discounting those bills receivables to banks on a full recourse basis. Specifically, if the bills receivables are not paid at maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these bills 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 33). The relevant disclosures have been made regarding the transfer of these bills receivables on application of the amendments to IFRS 7 (see note 24a). In accordance with the transitional provisions set out in the amendments to IFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

The application of the other amendments to standard 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.

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

Amendments to IFRS 7 Disclosures - Transfers of Financial Assets (Cont'd)

The Group has not early applied the following new and revised standards, amendments and interpretation ("new and revised IFRSs") that have been issued but are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle[1]
Amendments to IFRS 1	Government Loans[1]
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[2]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[4]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[3]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (Revised 2011)	Separate Financial Statements[1]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[4]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2015
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2014

Annual Improvements to IFRSs 2009 - 2011 Cycle issued in June 2012

The Annual Improvements to IFRSs 2009 - 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include the amendments to IAS 16 Property, Plant and Equipment and the amendments to IAS 32 Financial Instruments: Presentation.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise.

The amendments to IAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes.

The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

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

Amendments to IFRS 7 Disclosures - Transfers of Financial Assets (Cont'd)

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. Based on an analysis of the Group's financial instrument as at 31 December 2012, the directors anticipate that the adoption of IFRS 9 may not have significant impact.

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

Amendments to IFRS 7 Disclosures - Transfers of Financial Assets (Cont'd)

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (Revised 2011) and IAS 28 (Revised 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC- 12 Consolidation - Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these five standards for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time. The directors anticipate that the application of these five standards will not have a significant impact on amounts reported in the consolidated financial statements but will lead to more extensive disclosure.

Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised 2011) Investment Entities

The amendments to IFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to IFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor (s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to IFRS 12 and IAS 27 (Revised 2011) have been made to introduce new disclosure requirements for investment entities.

The amendments to IFRS 10, IFRS 12 and IAS 27 (Revised 2011) are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

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

Amendments to IFRS 7 Disclosures - Transfers of Financial Assets (Cont'd)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of the new standard will not have a significant impact on amounts reported in the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs and on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Companies Ordinance.

The principle accounting policies are set out below.

Basis of combination

The consolidated financial statements incorporate the financial statements of the subsidiaries controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on combination.

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

Total comprehensive income of a subsidiary 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)

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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the acquisition date less any accumulated impairment losses, if any, and is presented separately in the consolidated statements of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to the relevant cash-generating units that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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 the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statements of financial position at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and other comprehensive income of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

When a group entity transacts with its associate, profits and losses resulting from the transaction with the associate are recognized in the 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 recognized 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.

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 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 recognized 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 assets, 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 derecognized 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 derecognized.

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 recognized 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 recognized 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, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term. If the fair value 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, Impairment of Assets.

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 recognized 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 capitalization.

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

Government grants

Government grants are not recognized 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 recognized in profit or loss on a systematic basis over the periods in which the Group recognizes 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 recognized 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 recognized 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)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred 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 statements of 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 is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated statements of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such assets and liabilities are not recognized 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 recognized 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 recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 realized, 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 are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 realizable value. Costs are calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated statements of financial position 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 recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, available-for-sale and held for trading financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that requires delivery of assets within the time frame established by regulation or convention in the marketplace.

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 recognized on an effective interest basis for debt instruments.

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, amounts due from a related party, restricted bank balances, pledged bank balances and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For available-for-sale investments measured at fair value at the end of each reporting period, changes in fair value are recognized in other comprehensive income and accumulated in equity. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the equity is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Held for trading financial assets

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets 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. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other income and other gains and losses' of the consolidated statement of comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets 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.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, 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-organization.

For certain categories of financial assets, 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 financial assets carried at amortised cost, an impairment loss is recognized 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 the financial asset is reduced by the impairment loss directly for all financial assets 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 recognized 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 financial assets 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 recognized, the previously recognized 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 recognized.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

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.

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

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 recognized on an effective interest basis.

Financial liabilities

The Group's financial liabilities including trade and other payables, amounts due to a related party, short term debenture, mid-term debenture and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognized as an expense.

Transaction costs related jointly to concurrent offering of some shares and listing of shares are allocated using a basis of allocation that is rational and consistent with similar transactions.

Derecognition

Financial assets are derecognized 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognize the financial assets and recognize a collateralised borrowing for proceeds received.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 to sell 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.

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 recognized 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 recognized 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 2012, the carrying amount of property, plant and equipment is RMB11,062,558,000 (2011: RMB10,034,915,000). 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 current year in which the estimates change and in future periods.

Impairment of intangible assets

As at 31 December 2012, the carrying amount of mining rights is RMB219,536,000 (2011: RMB222,533,000) and no impairment loss has been provided. They are reviewed for impairment when events or circumstances indicate the carrying value may not be recoverable. Factors that would indicate impairment may include, but are not limited to, the significant change in economic environment, operating cash flows associated with the intangible assets or the cash generating unit containing the intangible assets.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. 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, a material impairment loss may arise. As at 31 December 2012, the carrying amount of goodwill is RMB18,964,000 (2011: RMB12,275,000) and no impairment loss has been provided.

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

Deferred tax assets

As at 31 December 2012, deferred tax assets of RMB37,360,000 (2011: RMB15,285,000) in relation to temporary differences and unused tax losses have been recognised in the consolidated statement of financial position. 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 than expected, a material reversal 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 2012, the carrying amount of trade receivables is RMB255,983,000 (net of allowance for doubtful debts of RMB25,952,000) (31 December 2011: RMB203,558,000 (net of allowance for doubtful debts of RMB33,301,000)).

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:

	2012 RMB'000	2011 RMB'000
Sales of cement	6,729,918	6,530,507
Sales of clinker	860,979	1,732,888
	7,590,897	8,263,395

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 operating results and financial information of each manufacturing plant for the purposes of resource allocation and performance assessment. Hence, each manufacturing plant is an operating segment. The nature of products, production process of each manufacturing plant is the same and they are operated under similar regulatory environment and applied similar distribution methods. However, customers in different regions are of different economic characteristics. Therefore, the Group has aggregated the operating segments and presented the following two reportable segments based on the regions in which the Group operates: Central China and Northeast China.

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

	Segment revenue		**Segment profit**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Central China	**5,533,443**	5,579,384	**790,831**	1,147,820
Northeastern China	**2,057,454**	2,684,011	**284,988**	571,344
Total	**7,590,897**	8,263,395	**1,075,819**	1,719,164
Unallocated corporate administrative expenses			**(48,768)**	(32,611)
Profit before taxation			**1,027,051**	1,686,553

The accounting policies of the reportable segments are the same as the Group's accounting polices described in Note 4. Segment profit represents the profit before taxation without allocation unallocated corporate administrative expense including directors' emoluments.

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

7. SEGMENT INFORMATION (Cont'd)

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

	2012 RMB'000	2011 RMB'000
SEGMENT ASSETS		
Central China	12,148,863	10,686,592
Northeast China	6,345,406	5,569,280
Total segment assets	18,494,269	16,255,872
Available-for-sale investments	—	4,000
Investments held for trading	—	250,000
Deferred tax assets	37,360	15,285
Other receivables	275	53,373
Deposits paid	20,270	—
Restricted bank balances	—	659,315
Cash and bank balances	288,122	—
Total assets	18,840,296	17,237,845
SEGMENT LIABILITIES		
Central China	7,882,509	7,114,457
Northeast China	4,503,966	4,415,695
Total segment liabilities	12,386,475	11,530,152
Deferred tax liabilities	18,298	24,222
Tax liabilities	78,876	110,629
Other payables	13,187	18,232
Total liabilities	12,496,836	11,683,235

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

- all assets are allocated to reportable segments other than available-for-sale investments, investments held for trading, deferred tax assets, certain other receivables, cash and bank balances, restricted bank balances; and
- all liabilities are allocated to 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 2012

	Central China RMB'000	Northeast China RMB'000	Total RMB'000
Additions to property, plant & equipment	**1,106,057**	**375,215**	**1,481,272**
Additions to prepaid lease payments	**109,037**	—	**109,037**
Additions to mining rights	**9,825**	—	**9,825**
Finance costs	**336,892**	**233,131**	**570,023**
Provision for environmental restoration	**1,544**	**531**	**2,075**
Depreciation and amortisation	**406,326**	**198,837**	**605,163**
Reversal for bad and doubtful debts	**(3,306)**	**(2,685)**	**(5,991)**
Gain on disposal of property, plant and equipment	**(1,619)**	**(184)**	**(1,803)**
Value Added Tax refund	**(152,879)**	**(40,728)**	**(193,607)**
Incentive subsidies	**(62,439)**	**(26,501)**	**(88,940)**
Interest on bank deposits	**(15,634)**	**(13,563)**	**(29,197)**

For the year ended 31 December 2011

	Central China RMB'000	Northeast China RMB'000	Total RMB'000
Additions to property, plant & equipment	739,216	1,143,685	1,882,901
Additions to prepaid lease payments	46,753	70,117	116,870
Additions to mining rights	4,747	—	4,747
Finance costs	281,898	193,371	475,269
Provision for environmental restoration	2,062	772	2,834
Impairment of property, plant and equipment	2,561	—	2,561
Depreciation and amortisation	374,174	146,099	520,273
Allowances for bad and doubtful debts	3,090	(1,020)	2,070
Loss (gain) on disposal of property, plant and equipment	(683)	1,814	1,131
Value Added Tax refund	(125,248)	(39,176)	(164,424)
Foreign exchange gain, net	(10,790)	(312)	(11,102)
Incentive subsidies	(29,983)	(14,978)	(44,961)
Interest on bank deposits	(14,127)	(7,450)	(21,577)

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 2012 and 2011.

8. OTHER INCOME AND OTHER GAINS AND LOSSES

	2012 RMB'000	2011 RMB'000
Value Added Tax refund	**193,607**	164,424
Incentive subsidies (Note)	**88,940**	44,961
Foreign exchange (loss) gain, net	**(803)**	11,102
Interest on bank deposits	**29,197**	21,577
Rental income	**664**	2,486
Release of deferred income (Note 38)	**5,501**	5,161
Gain on sales of scrap	**30,167**	35,936
Gain (loss) on disposal of property, plant and equipment	**1,803**	(1,131)
Gain on disposal of available-for-sale investments	**5**	—
Reversal (allowance) for bad and doubtful debts	**5,991**	(2,070)
Impairment of property, plant and equipment	**—**	(2,561)
Others	**21,772**	6,624
	376,844	286,509

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

9. FINANCE COSTS

	2012 RMB'000	2011 RMB'000
Interest on:		
Bank borrowings wholly repayable within five years	**406,815**	366,346
Finance lease	**19,285**	—
Bills discounted with recourse	**103,500**	134,697
Short term debenture	**62,447**	31,613
Mid-term debenture	**30,672**	1,495
Imputed interest on other payables	**927**	901
Others	**—**	1,672
	623,646	536,724
Less: amounts capitalised	**(53,623)**	(61,455)
	570,023	475,269

The borrowing costs on general borrowing pool capitalized are calculated by applying capitalization rate of 6.71% per annum for the year ended 31 December 2012 (2011: 6.15% per annum).

10. INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
PRC Enterprise Income Tax ("EIT")		
- current year	291,010	418,002
- under-provision in prior year	1,251	1,521
	292,261	419,523
Deferred tax (Note 37)	(27,999)	(6,158)
	264,262	413,365

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%.

Pursuant to Ping Guo Shui Han 2007 No. 59 issued by the State Administration of Taxation at Pingdingshan, Henan province, the PRC, Tianrui Cement was entitled to an exemption from EIT in year 2007 and 2008, followed by a 50% relief for year 2009 to 2011.

The income tax expense for the year can be reconciled to profit before taxation per consolidated statements of comprehensive income as follows:

	2012 RMB'000	2011 RMB'000
Profit before taxation	1,027,051	1,686,553
Tax at the applicable rate of 25%	256,763	421,638
Tax effect of expenses that are not deductible	5,383	7,083
Tax effect of concessionary rate	—	(5,076)
Effect of tax incentives (Note)	—	(9,782)
Tax effect of tax losses not recognized	—	2,795
Utilisation of tax losses previously not recognized	(206)	(3,865)
Under-provision in prior years	1,251	1,521
Others	1,071	(949)
Tax charge for the year	264,262	413,365

Note: According to Caishui (2008) No.48 and Caishui (2008) No.115 issued by the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission, for the year ended 31 December 2011, the Group obtained incentives of additional deduction from local tax authorities for purchase of environmental protection equipments of RMB39,128,000.

11. PROFIT FOR THE YEAR

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

	2012 RMB'000	2011 RMB'000
Depreciation of property, plant and equipment	**579,124**	498,387
Amortisation of prepaid lease payments	**12,900**	11,172
Amortisation of mining rights, included in cost of sales	**12,822**	10,714
Amortisation of other intangible assets, included in cost of sales	**317**	—
Total depreciation and amortisation	**605,163**	520,273
Cost of inventories recognized as an expense	**5,692,139**	5,830,467
Staff costs including retirement benefit	**284,362**	220,006
Auditor's remuneration	**3,000**	2,530
Listing expense	**—**	34,545

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER EMOLUMENTS

Directors

The emoluments paid or payable to each of the 11 (2011: 9) directors and the chief executive officer were as follows:

	Note	2012 Fee RMB'000	2012 Salaries and other benefits RMB'000	2012 Contributions to retirement benefits schemes RMB'000	2012 Total emoluments RMB'000	2011 Fee RMB'000	2011 Salaries and other benefits RMB'000	2011 Contributions to retirement benefits schemes RMB'000	2011 Total emoluments RMB'000
Executive directors									
Mr. Li Heping		2,493	—	—	2,493	—	—	—	—
Mr. Liu Wenying		748	—	—	748	—	—	—	—
Mr. Yu Yagang		748	—	—	748	—	—	—	—
		3,989	—	—	3,989	—	—	—	—
Non-executive directors									
Mr. Li Liufa		—	—	—	—	—	—	—	—
Mr. Tang Ming Chien		—	—	—	—	—	—	—	—
		—	—	—	—	—	—	—	—
Independent non-executive directors									
Mr. Wang Yanmou	i	81	—	—	81	—	—	—	—
Mr. Ma Chun Fung		195	—	—	195	—	—	—	—
Mr. Poon Chun Kwok	ii	195	—	—	195	—	—	—	—
Mr. Song Quanqi	iii	81	—	—	81	—	—	—	—
Mr. Kong Xiangzhong	iv	—	—	—	—	—	—	—	—
Mr. Wang Ping	v	—	—	—	—	—	—	—	—
		552	—	—	552	—	—	—	—
		4,541	—	—	4,541	—	—	—	—

Mr. Li Heping is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive officer. In 2011, the emoluments of the director was borne by the shareholder of the Company.

Note:

i Mr. Wang Yanmou resigned as non-executive director on 24 December 2012;

ii Mr. Poon Chun Kwok retired as non-executive director on 24 December 2012;

iii Mr. Song Quanqi resigned as non-executive director on 24 December 2012;

iv Mr. Kong Xiangzhong was appointed as non-executive director on 24 December 2012;

v Mr. Wang Ping was appointed as non-executive director on 24 December 2012.

13. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals included three (2011: None) director of the Company for the year (details of whose emoluments are set out in note 12 above), the emoluments of the remaining two (2011: five) highest paid individuals for the year were as follows:

	2012 RMB'000	2011 RMB'000
Salaries and other allowances	306	720
Performance related incentive payments	668	1,963
Retirement benefit scheme contribution	41	55
	1,015	2,738

The emolument of each of the above employees is below HK$1,000,000 (equivalent to approximately RMB810,800).

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 in the year ended 31 December 2012 and 2011.

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 2012 and 2011.

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:

	2012 RMB'000	2011 RMB'000
Earnings		
Profit for the year attributable to owners of the Company	783,393	1,274,538
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share (in thousands)	2,400,900	2,009,885
Effect of dilutive potential ordinary shares:		
Over-allotment options	526	296
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,401,426	2,010,181

The calculation of the basic earnings per share for the year ended 31 December 2011 is based on the consolidated profit of the Group attributable to owners of the Company for the year ended 31 December 2011 and assuming 2,009,885,000 shares of the Company were in issue during the year ended 31 December 2011 after taking into account the reorganization and capitalization issue (details refer to Note 40).

15. DIVIDEND

No dividend has been paid or declared by any group entities during the both years.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2011	3,872,193	5,337,251	93,526	73,028	573,111	9,949,109
Additions	178,656	69,767	12,931	4,697	1,616,850	1,882,901
Disposals	(2,748)	(11,722)	(5,554)	(596)	—	(20,620)
Transfer	723,735	588,692	—	—	(1,312,427)	—
At 31 December 2011	4,771,836	5,983,988	100,903	77,129	877,534	11,811,390
Additions	198,779	472,152	19,984	6,165	784,192	1,481,272
Additions from acquisition of a subsidiary (Note 48)	74,615	55,384	1,182	492	—	131,673
Disposals	(512)	(4,364)	(11,027)	(147)	—	(16,050)
Transfer	622,005	528,285	—	—	(1,150,290)	—
At 31 December 2012	**5,666,723**	**7,035,445**	**111,042**	**83,639**	**511,436**	**13,408,285**
DEPRECIATION AND IMPAIRMENT						
At 1 January 2011	322,945	856,704	45,830	56,916	—	1,282,395
Provided for the year	128,515	337,825	15,710	16,337	—	498,387
Impairment loss recognised in profit or loss	2,315	246	—	—	—	2,561
Eliminated on disposals	(223)	(1,949)	(4,166)	(530)	—	(6,868)
At 31 December 2011	453,552	1,192,826	57,374	72,723	—	1,776,475
Provided for the year	151,124	403,616	16,104	8,280	—	579,124
Eliminated on disposals	(75)	(807)	(8,858)	(132)	—	(9,872)
At 31 December 2012	**604,601**	**1,595,635**	**64,620**	**80,871**	—	**2,345,727**
CARRYING AMOUNTS						
At 31 December 2011	4,318,284	4,791,162	43,529	4,406	877,534	10,034,915
At 31 December 2012	**5,062,122**	**5,439,810**	**46,422**	**2,768**	**511,436**	**11,062,558**

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

Buildings are located in the PRC on medium term leasehold land. The above items of property, plant and equipment, other than construction in progress, are depreciated over their useful lives, after taking into account the estimated residual value, on a straight-line basis:

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

During the year 2011, the management conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired due to technical obsolescence. Accordingly, impairment losses of RMB2,561,000 has been recognized in respect of factory buildings, plant and machinery, which are used for cement production in Lushan Xian Antai Cement Company Limited, a subsidiary of the Group. The recoverable amounts of the relevant assets have been identified individually and fully impaired.

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 41.

The carrying amounts of buildings, which the application to obtain the ownership certificates is still in process, are approximately RMB819,937,000 as at 31 December 2012 (31 December 2011: RMB21,038,000).

The carrying amount of equipment and property, which are under finance lease arrangement, is approximately RMB336,804,000 as at 31 December 2012 (31 December 2011: RMB nil).

17. DEPOSITS PAID

As at 31 December 2012 and 2011, amounts represented deposits paid for acquiring property, plant and equipment and land use rights.

18. PREPAID LEASE PAYMENTS

	Prepaid lease payments RMB'000
At 1 January 2011	510,764
Additions	116,870
Capitalised to construction in progress	(1,170)
Amortisation charged to profit or loss	(11,172)
At 31 December 2011	615,292
Additions	109,037
Capitalised to construction in progress	(74)
Amortisation charged to profit or loss	(12,900)
At 31 December 2012	**711,355**

Analysis for reporting purposes as:

	2012 RMB'000	2011 RMB'000
Current assets included in trade and other receivables (Note 24)	**15,015**	12,801
Non-current assets	**696,340**	602,491
	711,355	615,292

The carrying amounts of land use right, which the application to obtain the certificates is still in process, are approximately RMB144,854,000 as at 31 December 2012 (31 December 2011: RMB56,253,000).

Prepaid lease payments represent medium-term land use right in the PRC and 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 41.

19. MINING RIGHTS

	Mining rights RMB'000
COST	
At 1 January 2011	256,170
Additions	4,747
At 31 December 2011	260,917
Additions	9,825
At 31 December 2012	**270,742**
ACCUMULATED AMORTISATION	
At 1 January 2011	27,670
Amortisation	10,714
At 31 December 2011	38,384
Amortisation	12,822
At 31 December 2012	**51,206**
CARRYING AMOUNTS	
At 31 December 2011	222,533
At 31 December 2012	**219,536**

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 41.

20. GOODWILL

For the purposes of impairment testing, goodwill has been allocated to three (2011: two) cash generating units ("CGUs"), comprising three (2011: two) subsidiaries in the Central China segment. The carrying amounts of goodwill as at 31 December 2012 and 2011 allocated to these units are as follows:

	2012 RMB'000	2011 RMB'000
COST		
At 1 January	12,275	12,275
Arising on acquisition of a subsidiary (Note 48)	6,689	—
At 31 December	18,964	12,275
CARRYING AMOUNTS		
At 31 December	18,964	12,275

The carrying amounts of goodwill allocated to "CGUs" are as follow:

	2012 RMB'000	2011 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	—
	18,964	12,275

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 0% to 1.2% for the following 4 years and discount rate of 9.0% as at 31 December 2012 (31 December 2011: 7.1%), 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 management determines that there is no impairment of any of its CGUs containing goodwill as at 31 December 2012 and 2011.

21. OTHER INTANGIBLE ASSTES

	Operating lease contracts RMB'000
COST	
At 1 January and 31 December 2011	—
Acquired on acquisition of a subsidiary (Note 48)	9,353
At 31 December 2012	**9,353**
ACCUMULATED AMORTISATION	
At 1 January and 31 December 2011	—
Amortisation	(317)
At 31 December 2012	**(317)**
CARRYING AMOUNTS	
At 31 December 2011	—
At 31 December 2012	**9,036**

The operating lease contracts, which are related to lease of land use rights, were valued through a form of income approach known as incremental cash flow method.

The value of the contracts were established based on the rationale that the additional rental costs would be incurred if the Company's leasehold contracts were negotiated on an arm's length basis. Therefore, the value of the contracts equals the difference between market rate and lease rate pre-determined in the favorable contracts ("Favorable Contracts"). The Company's rental cost based on the Favorable Contracts is lower than the market price. The cost saving from the Favorable Contracts was then discounted to present value at weighted average cost of capital.

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

22. INTEREST IN AN ASSOCIATE

	2012 RMB'000	2011 RMB'000
Cost of investment in an associate	**120,000**	120,000
Share of post-acquisition losses	**(120,000)**	(120,000)
	—	—

Details of the associate as at 31 December 2012 is as follows:

Name of company	Place and date of incorporation	Registered capital RMB'000	Attributable equity interest to the Group %	Principal activities
Pingdingshan Ruiping Shilong Cement Company Limited 平頂山瑞平石龍水泥有限公司	The PRC 12 September 2005	300,000	40	Manufacture and sale of clinker

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

	2012 RMB'000	2011 RMB'000
Total assets	**773,015**	747,245
Total liabilities	**969,913**	859,545
Net liabilities	**(196,898)**	(112,300)
Group's share of net assets of associate	**—**	—
Revenue	**276,692**	340,707
Loss for the year	**(84,598)**	(34,302)
Group's share of losses of the associate for the year	**—**	—

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

	2012 RMB'000	2011 RMB'000
Unrecognized share of loss of the associate for the year	**33,839**	13,720
Accumulated unrecognized share of loss of the associate	**78,759**	44,920

23. INVENTORIES

	2012 RMB'000	2011 RMB'000
Raw materials and consumables	781,624	761,821
Work-in-progress	7,740	6,755
Finished goods	350,868	434,575
	1,140,232	1,203,151

24. TRADE AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables	281,935	236,859
Less: allowances for bad and doubtful debts	25,952	33,301
	255,983	203,558
Bills receivables	491,327	1,159,789
Advance to suppliers	1,403,769	866,217
Value Added Tax refund receivables	58,816	18,849
Prepayment for various tax	94,202	74,063
Prepaid lease payments (Note 18)	15,015	12,801
Other receivables	135,410	119,655
	2,454,522	2,454,932

Bills receivables amounted to RMB422,949,000 as at 31 December 2012 (31 December 2011: RMB476,327,000) were discounted to banks to obtain borrowings. (See Note 33)

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

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

	2012 RMB'000	2011 RMB'000
Within 90 days	510,523	625,983
91-180 days	175,261	687,188
181-360 days	51,282	19,915
Over 1 year	10,244	30,261
Total	747,310	1,363,347

24. 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 RMB61,526,000 which are past due as at 31 December 2012 (31 December 2011: RMB50,176,000) 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:

	2012 RMB'000	2011 RMB'000
181-360 days	51,282	19,915
Over 1 year	10,244	30,261
Total	61,526	50,176

Movement in the allowance for bad and doubtful debts

	2012 RMB'000	2011 RMB'000
Balance at beginning of the year	33,301	31,231
(Reversed) provided for the year	(5,991)	2,070
Write-off for the year	(1,358)	—
Balance at the end of the year	25,952	33,301

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of RMB25,952,000 (31 December 2011: RMB33,301,000) which was considered as uncollectable. The Group does not hold any collateral over these balances.

Details of trade and other receivables pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 41.

24a. TRANFERS OF FINANCIAL ASSETS

As at 31 December 2012, bills receivables with carrying amount of RMB422,949,000 were transferred to banks by discounting those receivables on a full recourse basis and the carrying amount of the associated liability is RMB382,338,000. 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 33). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

25. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2012 RMB'000	2011 RMB'000
Listed investment, at fair value (Note)	—	4,000

Note: As at 31 December 2011, the amount represents investment in a listed open-ended fund on Shenzhen Stock Exchange, and was subsequently disposed in 2012.

26. AMOUNTS DUE FROM A RELATED PARTY

	2012 RMB'000	2011 RMB'000
Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	3,989	572

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

27. INVESTMENTS HELD FOR TRADING

	2012 RMB'000	2011 RMB'000
Investment, at fair value (Note)	—	250,000

Note: As at 31 December 2011, the amount represents fair value of the investment in an open-ended financing product of China Construction Bank, and was subsequently disposed in 2012.

28. RESTRICTED/PLEDGED BANK BALANCES

As at 31 December 2012, pledged bank balances represent deposits pledged to banks for (i) securing bank borrowings granted to the Group amounting to RMB925,000,000 (details disclosed in Note 41), and (ii) issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB1,574,873,000.

As at 31 December 2011, pledged bank balances represent deposits pledged to banks for (i) securing bank borrowings granted to the Group amounting to RMB101,750,000 (details disclosed in Note 41), and (ii) issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB1,213,583,000. Restricted bank balances represent bank balance amounting to RMB659,315,000 which will be used to repay part of the IFC loan and the Syndicated loans (details refer to Note 33).

The restricted/ pledged bank balances carry market interest rate of 2.80% to 3.50% per annum as at 31 December 2012 (31 December 2011: 0.36% to 3.50% per annum).

29. CASH AND BANK BALANCES

The amounts represent cash and bank balances held by the Group. As at 31 December 2012, bank balances carry interest at market rates of 0.01% and 0.5% per annum (31 December 2011: 0.36% and 0.5% per annum).

30. TRADE AND OTHER PAYABLES

	2012	2011
	RMB'000	RMB'000
Trade payables	1,752,503	2,319,152
Bills payables	1,757,000	1,014,943
Construction cost and retention payable	388,229	360,842
Advances from customers	181,083	228,716
Other tax payables	62,617	65,986
Other payables - current (Note 36)	18,514	8,600
Payables for mining rights	8,300	15,538
Other payables and accrued expenses	214,597	187,656
	4,382,843	4,201,433

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

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

	2012	2011
	RMB'000	RMB'000
Within 90 days	1,889,559	3,094,337
91-180 days	1,566,530	198,251
181-365 days	39,897	15,964
Over 1 year	13,517	25,543
Total	3,509,503	3,334,095

31. AMOUNTS DUE TO A RELATED PARTY

	2012 RMB'000	2011 RMB'000
Trade in nature	—	139
Non-trade in nature	500	500
	500	639

Trade in nature

	Note	2012 RMB'000	2011 RMB'000
Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	—	139

The credit period offered by a related party is 90 days.

The aged analysis of the Group's amounts due to a related party (trade in nature) from service/goods receipt date at the end of each year is as follows:

	2012 RMB'000	2011 RMB'000
Within 90 days	—	139

Non-trade in nature

	Note	2012 RMB'000	2011 RMB'000
Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	500	500

Note:

i. An associate of the Group.

32. SHORT TERM DEBENTURE

	2012 RMB'000	2011 RMB'000
Short term debenture	**1,000,000**	500,000

The amounts as at 31 December 2012 represented the short term debentures of RMB1,000,000,000 which included the third tranche of short term debentures of RMB500,000,000 issued on 16 January 2012 and the fourth tranche of short term debentures of RMB500,000,000 issued on 27 April 2012 through the lead underwriter, China Guangfa Bank Company Limited, with maturity of one year respectively. These two tranches of short term debentures carry interest at fixed rates of 8.48% and 5.15% per annum, respectively.

The amounts as at 31 December 2011 represented the second tranche of short term debentures issued on 8 March 2011 carry interest of fixed rate of 5.55% per annum and repaid during the current period.

33. BORROWINGS

	2012 RMB'000	2011 RMB'000
Bank borrowings		
– fixed-rate (i)	**2,407,700**	1,497,267
– variable-rate (ii)	**2,773,865**	3,542,175
IFC loan at variable-rate (iii)	**—**	183,041
Syndicated loans at variable-rate (iv)	**—**	703,730
	5,181,565	5,926,213
Bank borrowing relating to bills discounted with recourses (v)	**382,338**	430,649
	5,563,903	6,356,862
Secured	**2,236,075**	6,131,862
Unsecured	**3,327,828**	225,000
	5,563,903	6,356,862

The borrowings are repayable as follows:

	2012 RMB'000	2011 RMB'000
On demand or within one year	**4,902,903**	4,946,852
More than one year, but not exceeding two years	**476,000**	718,010
More than two years, but not exceeding five years	**185,000**	692,000
	5,563,903	6,356,862
Less: Amount due within one year shown under current liabilities (vi)	**(4,902,903)**	(4,946,852)
Amount due after one year	**661,000**	1,410,010

33. BORROWINGS (Cont'd)

Note:

i As at 31 December 2012, the fixed-rate borrowings carry interests ranged from 5.80% to 11.99% per annum (31 December 2011: from 5.31% to 11.81% per annum).

ii As at 31 December 2012, the interest rate of US Dollar variable-rate loans, amounting to RMB287,080,000 (31 December 2011: nil) is determined based on London Interbank Offered Rate ("LIBOR") plus 2.75%, and interest rate of remaining RMB variable-rate loans is determined based on the Benchmark Interest Rate announced by People's Bank of China.

iii As at 31 December 2011, the interest rate for the Group's IFC loan (amounting to US Dollar 29,050,000) is determined based on London Interbank Offered Rate ("LIBOR") plus 2.288%.

iv As at 31 December 2011, the interest rate for the Group's syndicated loan is 95% of the 3-5 years Benchmark Interest Rates announced by the People's Bank of China.

v As at 31 December 2012, the amounts represented bills receivables which received from customers discounted to various banks with full recourse. The discounted bills carried fixed interests ranging from 3.35% to 10.58% per annum (31 December 2011: from 5.31% to 11.81% per annum).

vi In respect of the loans with the carrying amounts of RMB50,000,000 as at 31 December 2012 (2011: RMB 886,771,000) the Group breached certain of the terms of the loans and the lenders have the right to demand immediate payment. The borrowings have been classified as a current liability as at 31 December 2012 and 2011, respectively.

Details of assets pledged to secure bank borrowings are set out in Note 41.

34. OBLIGATIONS UNDER FINANCE LEASES

	At 31 December 2012 RMB'000	At 31 December 2011 RMB'000
Analyzed for reporting purposes as:		
Current liabilities	**45,175**	—
Non-current liabilities	**184,286**	—
	229,461	—

34. OBLIGATIONS UNDER FINANCE LEASES (Cont'd)

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 recognized 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 6.72% to 7.25% per annum (31 December 2011: Nil).

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts payable under finance leases				
Within one year	60,035	—	45,175	—
In more than one year but not more than two years	60,061	—	48,306	—
In more than two years but not more than five years	150,151	—	135,980	—
	270,247	—	229,461	—
Less: future finance charges	(40,786)	—	N/A	N/A
Present value of lease obligations	229,461	—	229,461	—
Less: Amount due for settlement with 12 months (shown under current liabilities)			(45,175)	—
Amount due for settlement after 12 months			184,286	—

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

35. MID-TERM DEBENTURE

	2012	2011
	RMB'000	RMB'000
Mid-term debenture	1,000,000	300,000

The amounts as at 31 December 2012 represented the issuance of mid-term debentures of (i) RMB300,000,000 on 6 December 2011, (ii) RMB200,000,000 on 9 May 2012 and (iii) RMB500,000,000 on 18 September2012 with maturity of three years, carrying fixed interest rate at 8.4%, 5.8% and 5.9% per annum respectively.

36. OTHER PAYABLES

	2012 RMB'000	2011 RMB'000
Acquisition of mining rights	**38,764**	38,837
Less: Amount due within one year shown under trade and other payables (Note 30)	**(18,514)**	(8,600)
	20,250	30,237

The amounts represented the payables for acquisition of mining rights.

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 2014 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.

37. DEFERRED TAXATION

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

	Allowance on inventories and trade and other receivables RMB'000	Depreciation on property, plant, equipment and prepaid lease payments RMB'000	Imputed interest on other payables RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2011	7,524	(27,450)	(941)	—	5,772	(15,095)
Credit to profit or loss for the year	2,792	1,355	225	—	1,786	6,158
At 31 December 2011	10,316	(26,095)	(716)	—	7,558	(8,937)
Credit (charge) to profit or loss for the year	(1,898)	1,170	232	19,160	9,335	27,999
At 31 December 2012	**8,418**	**(24,925)**	**(484)**	**19,160**	**16,893**	**19,062**

Note: Others mainly represented the deferred tax assets arising from start-up costs, provision for environmental restoration and deferred income in respect of asset-related government grant.

37. 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:

	2012 RMB'000	2011 RMB'000
Deferred tax assets	37,360	15,285
Deferred tax liabilities	(18,298)	(24,222)
	19,062	(8,937)

At 31 December 2012, the Group has unused tax losses of approximately RMB89,785,000 (31 December 2011: RMB13,969,000) available for offset against future profits. A deferred tax asset has been recognized in respect of RMB76,640,000 (31 December 2011: Nil) of such losses. No deferred tax assets has not been recognized in respect of the remaining RMB13,145,000 (31 December 2011: RMB13,969,000) due to the unpredictability of future profit streams in respective subsidiaries. The unrecognized tax loss will be expired as follows:

	2012 RMB'000	2011 RMB'000
2014	—	121
2015	1,965	2,668
2016	11,180	11,180
	13,145	13,969

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 RMB3,528,138,000 as at 31 December 2012 (31 December 2011: RMB2,742,238,000) 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.

38. DEFERRED INCOME

	2012 RMB'000	2011 RMB'000
Assets-related government grants	191,221	149,804

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 RMB5,501,000 was released to "other income" during the year ended 31 December 2012 (2011: RMB5,161,000).

39. PROVISION FOR ENVIRONMENTAL RESTORATION

	Environmental restoration RMB'000
At 1 January 2011	6,575
Provision for the year	2,834
At 31 December 2011	9,409
Provision for the year	2,075
At 31 December 2012	**11,484**

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 recognized for the costs expected to be incurred for the restoration of the limestone mines. Addition in provision is recognized as cost of sales of the related limestone mined and sold.

40. ISSUED CAPITAL

The Company

	Number of shares	Share capital HK$'000	Share capital RMB'000
Ordinary share of HK$0.01 each:			
Authorised			
On incorporation	38,000,000	380	316
Additions (Note d)	9,962,000,000	99,620	80,754
At 31 December 2011 and 2012	10,000,000,000	100,000	81,070
Issued			
On incorporation (Note a)	1	—	—
Issued on 21 February and 2 April 2011 (Note b)	474,999	5	4
Issued on 2 April 2011 (Note c)	525,000	5	4
Issued on 23 December 2011 (Note e)	1,999,000,000	19,990	16,240
Issued on 23 December 2011 (Note f)	400,900,000	4,009	3,257
As at 31 December 2011 and 2012	2,400,900,000	24,009	19,505

The Company was incorporated on 7 February 2011 and became the ultimate holding company of Tianrui Cement on 8 April 2011. The issued capital at 31 December 2011 and 2012 represents the issued share capital of the Company.

40. ISSUED CAPITAL (Cont'd)

The Company (Cont'd)

Notes:

(a) On 7 February 2011, one subscriber share was issued to the Company's subscriber, Yu Kuo, at par value;

(b) On 21 February 2011, the Company issued 473 shares to Yu Kuo in exchange for the 100% equity interests in Zhong Yuan Cement and on 2 April 2011, issued 474,526 shares to Yu Kuo at a consideration of USD87,433,333;

(c) On 2 April 2011, the Company issued 525,000 shares to other shareholders of Tianrui Cement for acquiring their respective interests in Tianrui Cement;

(d) On 12 December 2011, the Company increased the authorized share capital of the Company from HK$380,000 divided into 38,000,000 shares of HK$0.01 each by the creation of an additional 9,962,000,000 shares of HK$0.01 each;

(e) On 23 December 2011, the Company allotted and issued a total of 1,999,000,000 shares (the "Capitalisation Shares"), credited as fully paid by par, to holders of shares whose names appeared on the principal register of members of the Company in proportion to their then existing shareholders in the Company, by way of capitalisation of HK$19,990,000 standing to credited of the share premium accounted of the Company and applying such sum of HK$19,990,000 in paying up in full at par 1,999,000,000 shares for such allotment and issue. The new shares rank pari passu with the existing shares in all respects;

(f) On 23 December 2011, the Company issued 409,000,000 shares of HK$0.01 each for cash pursuant to the Initial Public Offerings at the price of HK$2.41 each. The new shares rank pari passu with the existing shares in all respects;

(g) Over-allotment options have been granted by the Company during the Initial Public Offerings. Pursuant to the this arrangement, the Company will sell up to 60,135,000 shares to the international underwriters from 23 December 2011, the listing date, until 18 January 2012 at the same price under the international placing during the Initial Public Offerings. No option has been exercised up to 18 January 2012.

The Group

For the purpose of the preparation of the consolidated statements of financial position, the balances of paid-in capital as at 31 December 2010 represented the paid-in capital of Tianrui Cement amount to RMB1,397,135,000. Pursuant to the reorganization completed on 8 April 2011, the Company became the holding company comprising the Group. The issued capital as at 31 December 2011 and 2012 represents the issued share capital of the Company.

41. 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:

	2012 RMB'000	2011 RMB'000
Property, plant and equipment	**1,611,588**	2,202,502
Prepaid lease payments	**209,842**	263,117
Mining rights	**111,935**	63,695
Trade receivables	—	64,893
Bills receivables	**422,949**	476,327
Pledged bank balances	**925,000**	101,750
	3,281,314	3,172,284

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), Tianrui Group Xiaoxian Cement Company Limited (天瑞集團蕭縣水泥有限公司) for borrowings.

42. CAPITAL COMMITMENTS

	2012 RMB'000	2011 RMB'000
Capital expenditure of the Group in respect of acquisition of business and property, plant and equipment		
– contracted for but not provided in the consolidated financial statements	**415,127**	550,799
– authorized but not contracted for	**178,900**	928,609

43. OPERATING LEASE COMMITMENTS

The Group as lessee

The rental payment paid for the year ended 31 December 2012 amounted to approximately RMB17,709,190 (2011: RMB1,800,000) respectively are paid for certain of its land, office properties and mines.

As at 31 December 2012, the Group had commitments for future minimum lease payments in respect of rented land, premises and mines which fall due as follows:

	2012 RMB'000	2011 RMB'000
Within one year	17,521	1,800
In the second to fifth year inclusive	58,800	—
Over fifth year inclusive	8,517	—
	84,838	1,800

Operating lease payments represent rentals payable by the Group for certain of its land, office properties and mines. Leases are negotiated for an average terms of between 1 to 18 years and rental are fixed throughout the lease term.

The Group as lessor

The rental income earned for the year ended 31 December 2012 amounted to approximately RMB664,000 (2011: RMB2,486,000) respectively are generated from rental of certain plant and machinery.

As at 31 December 2012, the Group had no contracted with tenants for the following future minimum lease payments:

	2012 RMB'000	2011 RMB'000
Within one year	—	348

44. 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 2012, amounts to RMB22,309,000 (2011: RMB17,504,000).

45. RELATED PARTY DISCLOSURES

(a) Apart from the amounts due from/to a related party as disclosed in Notes 26 and 31, during the year, the Group had the following significant transactions with the related parties.

Nature of transaction	Name of related company	Notes	2012 RMB'000	2011 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	29,433	17,949
			29,433	17,949
Office rental expenses	Tianrui Group Company Limited (天瑞集團有限公司)		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	—	18,926
	Tianrui Group Yunyang Foundry Company Limited (天瑞集團雲陽鑄造有限公司)	ii	—	4,004
	Ruzhou Tianrui Coking Company Limited (汝州天瑞煤焦化有限公司)	ii	3,423	2,514
			3,423	25,444

Notes:

i. An associate of the Group;

ii. Subsidiaries of Tianrui Group Company Limited (天瑞集團有限公司) which is controlled by Mr. Li Liufa, who has significant influence over the Group.

45. 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:

	2012 RMB'000	2011 RMB'000
Short-term benefits	8,324	4,269
Retirement benefits	155	93
	8,479	4,362

46. 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 during the year.

The capital structure of the Group consists of debt, which includes the short term debenture, borrowings and mid-term debenture (details refer to Note 32, 33 and 35), and equity attributable to owners of the Company, comprising issued 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.

47. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2012 RMB'000	2011 RMB'000
Financial assets		
Loans and receivables (including restricted bank balances, pledged bank balances and cash and bank balances)	3,940,261	3,690,702
Available-for-sale investments	—	4,000
Investments held for trading	—	250,000
Financial liabilities		
Amortised cost	11,953,257	11,094,469

Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, amounts due from a related party, investments held for trading, restricted bank balances, pledged bank balances cash and bank balances, available-for-sale investments, trade and other payables, amounts due to a related party, short term debenture, mid-term debenture, borrowings and obligations under finance leases. 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 debenture, fixed-rate borrowings, obligations under finance leases, mid-term debenture and payables for mining rights (see Note 32, 33, 34, 35 and 36 for details).

As the management considers the Group's exposure to the above fair value interest rate risk is not significant, no interest-rate swaps or other hedging activities are undertaken by management during the year ended 31 December 2012 and 2011.

Besides, the Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings, restricted bank balances, pledged bank balances and bank balances (see Notes 28, 29 and 33 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 People's Bank of China and LIBOR.

47. FINANCIAL INSTRUMENTS (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. For restricted bank balances, bank balances, variable-rate borrowings and syndicated loans, the analysis is prepared assuming the amount of asset and 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 is used when reporting interest rate risk internally to key management personnel and 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 increased/decreased by approximately RMB873,000 (2011: decreased/increased RMB3,372,000) and the amount of borrowing costs capitalized in respect of the Group's qualifying assets would be increased/decreased by approximately RMB465,000 for the year ended 31 December 2012 (2011: RMB1,059,000).

Currency risk

The Group has certain pledged bank balances and other receivables denominated in Hong Kong Dollar ("HK Dollar") and loans 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:

	2012 RMB'000	2011 RMB'000
Assets		
HK Dollar	20,543	712,688
US Dollar	288,187	—
	308,730	712,688
Liabilities		
US Dollar	287,080	183,041

47. FINANCIAL INSTRUMENTS (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 5% increase or decrease in RMB against HK Dollar and US Dollar as at 31 December 2012. The percentage is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes pledged bank balances and other receivables denominated in HK Dollar and US Dollar, and outstanding bank borrowings denominated in US Dollar, and adjust its translation at the end of the reporting period for 5% change in foreign currency rate. A negative number below indicates a decrease in post-tax profit where RMB strengthens 5% against HK Dollar and US Dollar. For a 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 positive.

	2012	2011
	RMB'000	RMB'000
Post-tax profit (loss) for the year	**(1,082)**	(19,862)

Credit risk

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 amounts of the respective recognized financial assets as stated in the consolidated statements of financial positions and Note 49.

In order to minimise the credit risk, 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 from credit customers and related parties. In addition, the Group reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Besides, trade receivables consist of a large number of customers spread across diverse geographical areas in the PRC.

47. FINANCIAL INSTRUMENTS (Cont'd)

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 and ensures compliance with loan covenants and follow up actions were taken promptly as appropriate. As at 31 December 2012, three banking facilities of RMB3,360,000,000 in aggregate are available, which comprised of: (a) a banking facility of RMB1,180,000,000 from the Bank of China which is available until 31 December 2013, (b) a banking facility of RMB1,390,000,000 from the Agricultural Bank of China which is available until 22 June 2013; and (c) a banking facility of RMB790,000,000 from the Industry Commercial Bank of China which is available until 13 December 2013. None of the banking facilities of RMB3,360,000,000 has been utilized date of this report.

The Group has net current liabilities as at 31 December 2012, which exposed the Group to liquidity risk. In order to mitigate the liquidity risk, the management regularly monitors the operating cash flows of the Group to meet its liquidity requirement in the short and long term.

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. Specifically, bank borrowing of RMB40,000,000 as at 31 December 2012 (31 December 2011: RMB50,000,000) with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. In addition, IFC loans and syndicated loans amounted to RMB886,771,000 as at 31 December 2011 are included in the "on demand" category due to breach of loan covenants (2012: Nil).

47. FINANCIAL INSTRUMENTS (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 RMB'000	31 to 180 days RMB'000	181 to 365 days RMB'000	1-2 years RMB'000	2-3 years RMB'000	Over 3 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
As at 31 December 2012									
Trade and other payables	—	847,572	2,908,165	364,892	—	—	—	4,120,629	4,120,629
Amounts due to a related party	—	—	500	—	—	—	—	500	500
Financial guarantee liabilities	—	40,000	—	—	—	—	—	40,000	—
Borrowings									
– fixed-rate	7.3	32,567	741,860	2,139,925	—	—	—	2,914,352	2,790,038
– variable-rate	6.5	265,000	523,745	1,397,096	522,923	180,124	38,604	2,927,492	2,773,865
Other payables - fixed rate	7.3	7,600	8,723	4,000	3,900	10,110	11,726	46,059	38,764
Short term debenture	6.8	500,000	506,438	—	—	—	—	1,006,438	1,000,000
Mid-term debenture	6.6	—	—	—	338,583	807,319	—	1,145,902	1,000,000
Obligation under finance lease	6.7-7.3	30,005	—	30,030	60,061	60,061	90,090	270,247	229,461
		1,722,744	4,689,431	3,935,943	925,467	1,057,614	140,420	12,471,619	11,953,257
As at 31 December 2011									
Trade and other payables	—	1,120,710	2,314,943	462,478	—	—	—	3,898,131	3,898,131
Amounts due to related parties	—	—	639	—	—	—	—	639	639
Financial guarantee liabilities	—	50,000	—	—	—	—	—	50,000	—
Borrowings									
– fixed-rate	8.7	—	1,431,974	528,330	—	—	—	1,960,304	1,927,916
– variable-rate	6.4	976,772	896,148	1,187,633	764,004	551,391	246,973	4,622,921	4,428,946
Other payables - fixed rate	7.3	4,600	—	4,230	10,841	1,918	24,711	46,300	38,837
Short term debenture	5.6	—	506,938	—	—	—	—	506,938	500,000
Mid-term debenture	8.4	—	—	—	—	379,661	—	379,661	300,000
		2,152,082	5,150,642	2,182,671	774,845	932,970	271,684	11,464,894	11,094,469

47. FINANCIAL INSTRUMENTS (Cont'd)

Liquidity risk (Cont'd)

As at 31 December 2012, principal amount of RMB40,000,000 (31 December 2011: RMB50,000,000) with a repayment on demand clause is included in the "on demand or 0-30 days" time band in the above maturity analysis. Taking into account the Group's financial position, the management does not believe that it is probable that the bank will exercise their discretionary rights to demand immediate repayment. For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the term loan based on the scheduled repayment dates set out in the agreements in the table below:

	Weighted average interest rate %	0-30 days RMB'000	31 to 180 days RMB'000	181 to 365 days RMB'000	1-2 years RMB'000	2-3 years RMB'000	Over 3 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
As at 31 December 2012									
Borrowings	**6.56**	**—**	**—**	**10,000**	**10,704**	**22,915**	**—**	**43,619**	**40,000**
As at 31 December 2011									
Borrowings	6.56	—	—	10,000	10,656	11,354	24,197	56,207	50,000

Fair value

The fair value of financial assets and financial liabilities is determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

47. FINANCIAL INSTRUMENTS (Cont'd)

Fair value (Cont'd)

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

	2011			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial asset at fair value through profit or loss				
Non-derivative financial assets held for trading	—	250,000	—	250,000
Available-for-sale financial asset				
Investment in listed open-ended fund	4,000	—	—	4,000
Total	4,000	250,000	—	290,000

48. ACQUISITION OF A SUBSIDIARY

On 6 September 2012, the Group acquired 91% of the equity interest of Pingdingshan Yaodian Cement Company Limited (平頂山姚電水泥有限公司) ("Yaodian Cement") from an independent third party, Pingdingshan Yaomeng Power Group Company Limited ("Yaomeng Power") (平頂山姚孟電力集團有限公司) for a consideration of RMB25,390,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB6,689,000. Yaodian Cement is engaged in the manufacture and sale of cement.

Consideration transferred:

	RMB'000
Cash	25,390

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	131,673
Other intangible assets	9,353
Inventories	5,543
Trade and other receivables	8,190
Bank balances and cash	66,237
Borrowings	(71,654)
Trade and other payables	(128,791)
	20,551

The fair value of trade and other receivables at the date of acquisition amounted to RMB8,190,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB8,190,000 at the date of acquisition.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	25,390
Plus: non-controlling interests (9% in Yaodian Cement)	1,850
Less: net assets acquired	(20,551)
Goodwill arising on acquisition	6,689

The non-controlling interests in Yaodian Cement recognized at the acquisition date was measured at their proportionate share of net assets acquired. Goodwill arose in the acquisition of Yaodian Cement 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 Yaodian Cement. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

48. ACQUISITION OF A SUBSIDIARY (Cont'd)

Net cash inflow on acquisition of Yaodian Cement:

	RMB'000
Cash and cash equivalent balances acquired	66,237
Less: Cash consideration paid	(25,390)
	40,847

Included in the profit for the year is a loss RMB7 million attributable to the additional business generated by Yaodian Cement.

Revenue for the year includes RMB58.30 million generated from Yaodian Cement. Had the acquisition been completed on 1 January 2012, total group revenue for the year would have been RMB7,669 million, and profit for the year would have been RMB755 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 2012, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Yaodian Cement acquired at the beginning of the current year, the directors have calculated depreciation of plant and equipment and amortization of intangible assets acquired 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.

49. CONTINGENT LIABILITIES

	2012 RMB'000	2011 RMB'000
Guarantees given to banks in respect of banking facilities granted to:		
– Third party	40,000	50,000

As at 31 December 2012 and 2011, the management considers the risk of the contingent liabilities are remote and no financial guarantee liabilities have been recognized.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The Company has the following subsidiaries:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group 2012 %	2011 %	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$184,052,471	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
Yuzhou Shi Zhongjin Cement Company Limited 禹州市中錦水泥有限公司*	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

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

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group 2012 %	2011 %	Principal activities
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
Tianrui Group Xiaoxian Cement Company Limited 天瑞集團蕭縣水泥有限公司*	The PRC 6 October 2008	RMB241,958,000	100	100	Manufacture and sale of cement and clinker
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 (former known as "Pingdingshan Yaodian Cement Company Limited") 平頂山天瑞姚電水泥有限公司* (原「平頂山姚電水泥有限公司」)	The PRC 17 June 2009	RMB20,000,000	91	—	Manufacture and sale of cement

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

Note:

* The entities are subsidiaries of Tianrui Cement.

None of the subsidiaries had issued any debt securities at the end of the year except for Tianrui Group Cement Company Limited, which has issued RMB2 billion of debentures.

51. FINANCIAL INFORMATION OF THE COMPANY

Financial information of the Company at the end of the reporting period includes:

	At 31 December 2012 RMB'000	2011 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary (note)	**1,257,927**	565,524
CURRENT ASSET		
Other receivables	**21,069**	53,373
Restricted bank balances	—	659,315
Cash and bank balances	**288,104**	—
TOTAL CURRENT ASSETS	**309,173**	712,688
CURRENT LIABILITIES		
Borrowings - due within one year	**287,080**	—
Other payables	—	18,232
Amounts due to a subsidiary	**33,566**	19,900
TOTAL CURRENT LIABILITIES	**320,646**	38,132
NET CURRENT (LIABILITIES) ASSETS	**(11,473)**	674,556
TOTAL ASSETS LESS CURRENT LIABILITIES, NET ASSETS	**1,246,454**	1,240,080
CAPITAL AND RESERVES		
Issued capital (note 40)	**19,505**	19,505
Reserves	**1,226,949**	1,220,575
TOTAL EQUITY	**1,246,454**	1,240,080

Note: The investment is unlisted equity investment.

51. FINANCIAL INFORMATION OF THE COMPANY (Cont'd)

Movement in reserves

	Share premium RMB'000	**Retained earnings** RMB'000	**Total** RMB'000
At the date of incorporation	—	—	—
Loss for the year and total comprehensive loss for the year	—	(30,750)	(30,750)
Issue of shares	1,330,935	—	1,330,935
Issue costs of new shares	(79,610)	—	(79,610)
At 31 December 2011	1,251,325	(30,750)	1,220,575
Loss for the year and total comprehensive loss for the year	—	(17,837)	(17,837)
Over-provision of issue costs of new shares in previous year	24,211	—	24,211
At 31 December 2012	**1,275,536**	**(48,587)**	**1,226,949**

52. EVENTS AFTER THE REPORTING PERIOD

(i) Tianrui Cement entered into a share transfer agreement with two independent third parties, Mr. Yang Qinggeng and Ms. Lv Meihua on 6 January 2013. Pursuant to this agreement, Tianrui Cement will acquire 70% of the equity interest of Liaoyang Chengxing Cement Manufacture Company Limited ("Chengxing Cement") (遼陽市誠興水泥製造有限公司) from Mr. Yang Qinggeng and Ms. Lv Meihua in 2013 for a consideration of RMB80,450,000.

Tianrui Cement entered into a share transfer agreement with two independent third parties, Mr. Yu Hongyang and Ms. Sun Lina on 30 January 2013. Pursuant to this agreement, Tianrui Cement will acquire 100% of the equity interest of Dalian Golden-coasts Construction Material Group Company Limited ("Golden-coasts Group") (大連金海岸建材集團有限公司) from Mr. Yu Hongyang and Ms. Sun Lina in 2013 for a consideration of RMB45,000,000.

Tianrui Cement entered into a share transfer agreement with two independent third parties, Mr. Zhou Fei and Mr. Zhou Zhen on 25 February 2013. Pursuant to this agreement, Tianrui Cement will acquire 100% of the equity interest of Xincai Xinhui Cement Construction Materials Company Limited ("Xinhui Cement") (新蔡縣新輝水泥建材有限公司) from Mr. Zhou Fei and Mr. Zhou Zhen in 2013 for a consideration of RMB52,500,000.

As at the date of approval of the consolidated financial statements, the acquisitions have not yet been completed.

(ii) On 4 February 2013, the Group issued the first tranche of short term debentures of RMB600,000,000 through the lead underwriter, China Guangfa Bank Company Limited, with maturity of one year. The first tranche of short term debentures carries fixed interest at 4.77% per annum.

(iii) According to an announcement dated 6 February 2013 made by the Company, Tianrui Cement, a wholly-owned subsidiary of the Company, has successfully completed an issuance of corporate bonds in an aggregate principal amount of RMB2 billion to institutional investors in the PRC on 6 February 2013, which have a term of eight years and bear interest at a rate of 7.10% per annum (the "2013 Tianrui Cement Corporate Bonds"). The 2013 Tianrui Cement Corporate Bonds are severally guaranteed by Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司) and Tianrui Group Tourism Development Co., Ltd. (天瑞集團旅遊發展有限公司), two subsidiaries of Tianrui Group.

FINANCIAL SUMMARY

Financial summary - in accordance with International Financial Reporting Standards.

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note)	(Note)	(Note)
Revenue	**7,590,897**	8,263,395	6,129,438	4,415,224	3,360,339
Profit before tax	**1,027,051**	1,686,553	526,704	245,040	322,653
Income tax expense	**(264,262)**	(413,365)	(128,917)	(81,779)	(90,424)
Profit for the year	**762,789**	1,273,188	397,787	163,261	232,229
Attributable to:					
Owners of the Company	**783,393**	1,274,538	396,833	162,738	231,153
Non-controlling interests	**(20,604)**	(1,350)	954	523	1,076
	762,789	1,273,188	397,787	163,261	232,229

CONSOLIDATED STATEMENT OF FINANICAL POSITION

	As at 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note)	(Note)	(Note)
Total assets	**18,840,296**	17,237,845	13,682,166	10,609,307	7,275,085
Total liabilities	**(12,496,836)**	(11,683,235)	(10,146,054)	(7,467,982)	(4,297,021)
Total equity	**6,343,460**	5,554,610	3,536,112	3,141,325	2,978,064
Attributable to:					
Owners of the Company	**6,323,564**	5,515,960	3,536,112	3,135,848	2,973,110
Non-controlling interests	**19,896**	38,650	—	5,477	4,954
	6,343,460	5,554,610	3,536,112	3,141,325	2,978,064

Note: Financial information are extracted from accountant's report dated 14 December 2011 included in the prospectus for the Initial Public Offering.