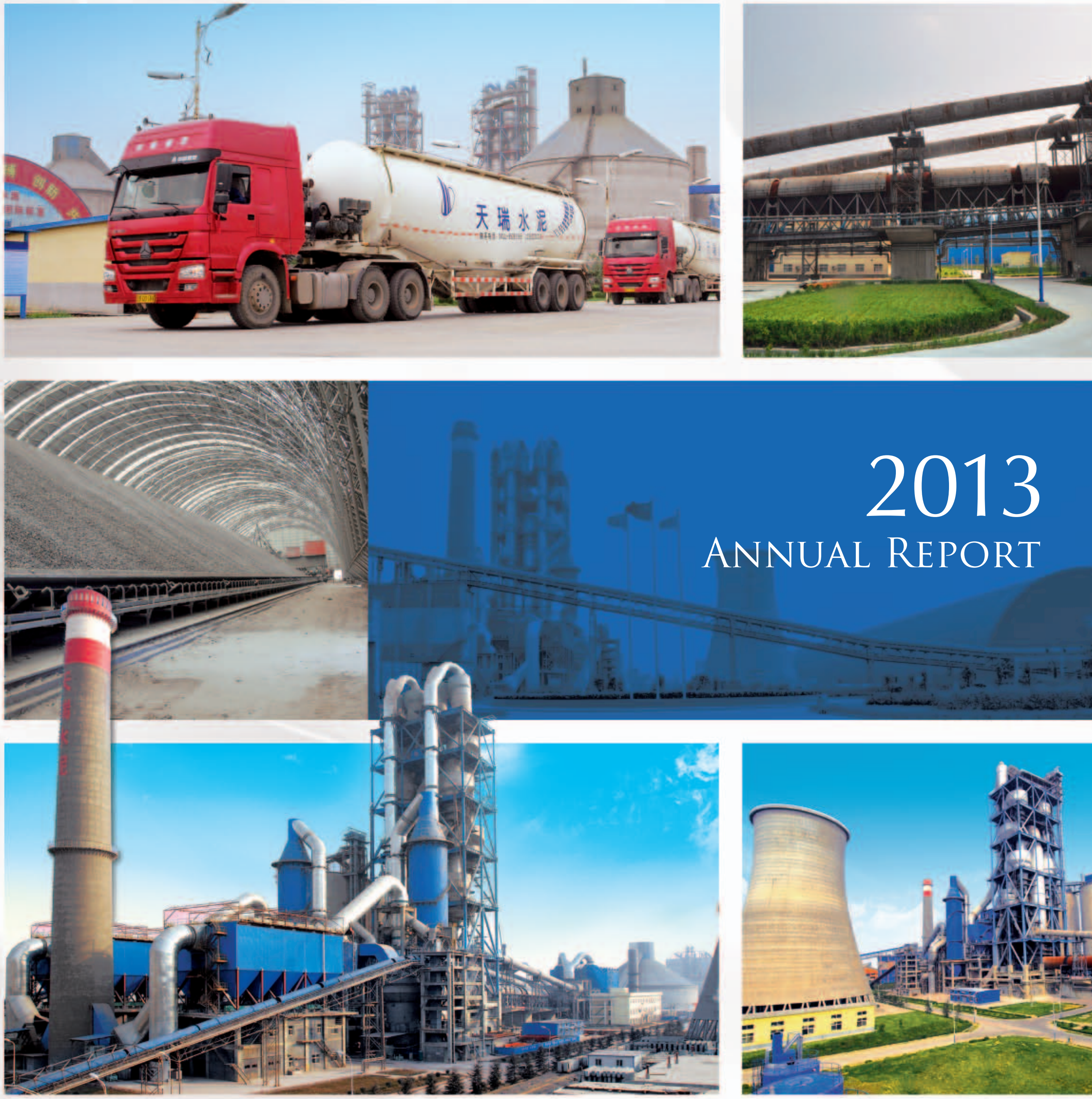
CHINA TIANRUI GROUP CEMENT COMPANY LIMITED
中國天瑞集團水泥有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1252



2013
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

STOCK CODE

01252

EXECUTIVE DIRECTORS

Mr. Yang Yongzheng
Mr. Wang Delong
Mr. Xu Wuxue

NON-EXECUTIVE DIRECTORS

Mr. Li Liufa
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. Yang Yongzheng
Mr. Wang Ping

REMUNERATION COMMITTEE

Mr. Wang Ping (Chairman)
Mr. Xu Wuxue
Mr. Kong Xiangzhong

CHIEF EXECUTIVE OFFICER

Mr. Li Heping

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Cricket Square
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KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Henan Province
PRC

PLACE OF BUSINESS IN HONG KONG

Room 2005A, 20/F
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Admiralty, Hong Kong

CORPORATE INFORMATION

COMPANY WEBSITE

http://www.trcement.com

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

Mr. Yang Yongzheng
Mr. Yu Chunliang

ALTERNATIVE AUTHORIZED REPRESENTATIVE

Ms. Kwong Yin Ping Yvonne

CAYMAN ISLANDS SHARE REGISTRAR AND SHARE TRANSFER AGENT

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KY1-1111
Cayman Islands

AUDITORS

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88 Queensway
Hong Kong

LEGAL ADVISERS

As to Hong Kong law

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Hong Kong

As to PRC law

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Chaoyang District
Beijing 100022
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HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
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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.

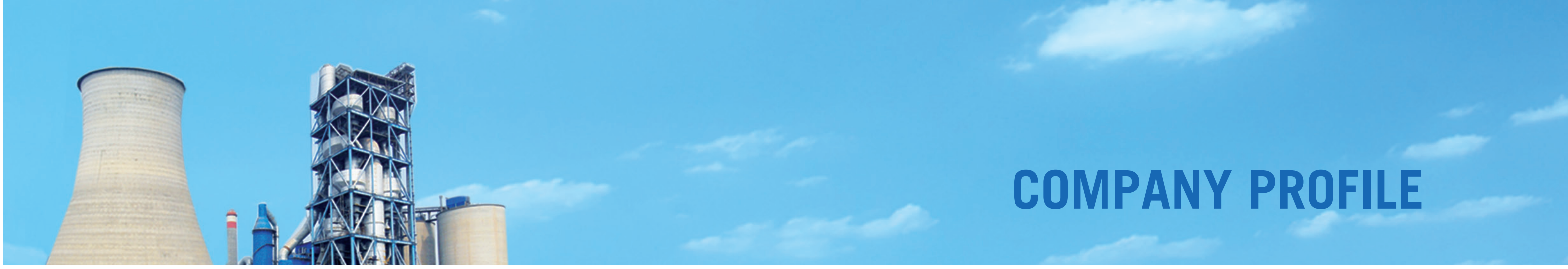
- **Advanced technological equipment.** As of 31 December 2013, all of our clinker production lines are New Dry Process clinker production lines (NSP technology) equipped with residual heat power generation equipment, which can effectively reduce electricity cost and pollution, including a clinker production line of daily production of 12,000 tonnes established in 2009, which represented the world's largest clinker production line using the most advanced technology at the time, and operated smoothly with remarkable benefits since its commencement of production.

- **Promising prospects for regional development.** As a leading cement producer in both Henan and Liaoning regions, we benefited from the revitalization of the economic zone in the central China region and the traditional industrial bases in northeast China, and the development of the Bohai Economic Rim. 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.

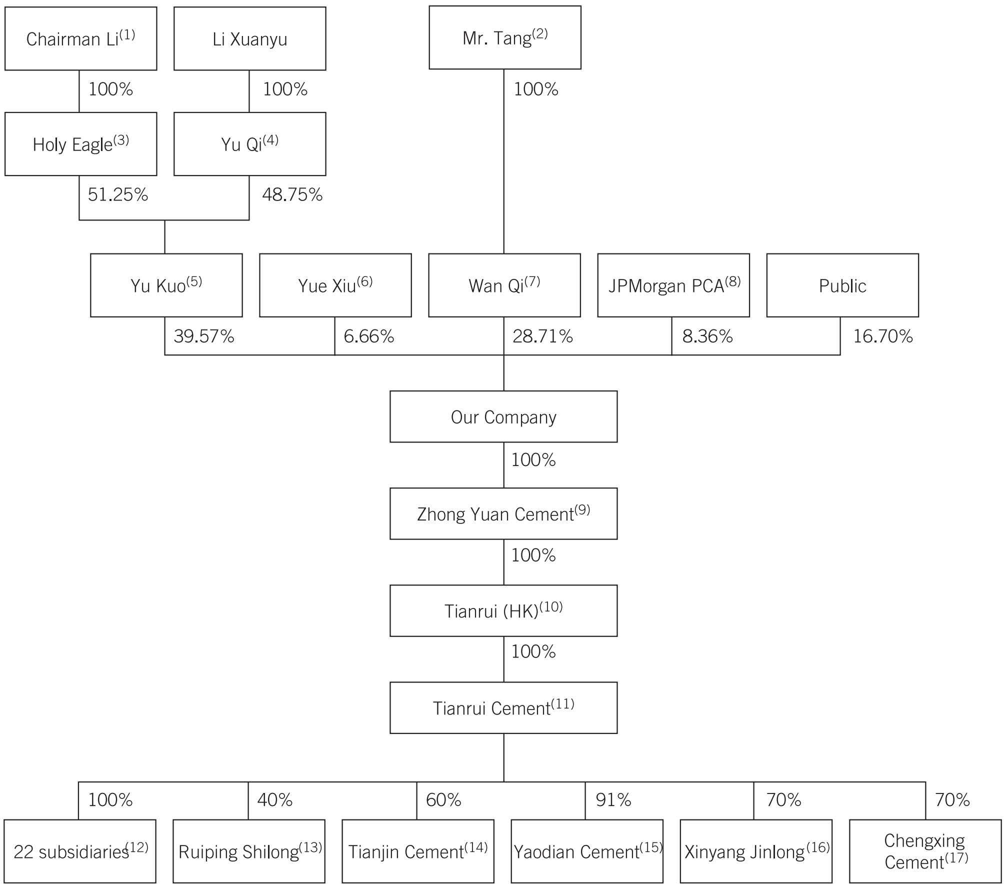
- **Standardized management and brand advantage.** The Group has adopted a management model in line with international standard. The timely technical support provided by our professional technology team to our management team has laid down the foundation of our product quality and operation safety. Our Group is one of the few cement producers in China which have obtained the International Organization for Standardization (ISO) certifications for three management systems of quality control, environmental management and occupational health and safety and for product quality, at both the parent and operating subsidiary levels. 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 (南水北調),Ha'erbin-Dalian Express Railway (哈大高鐵) and Shijiazhuang-Wuhan Express Railway (石武高鐵) and Zhengzhou-Xuzhou Express Railway(鄭徐高鐵).

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



I. CORPORATE STRUCTURE

As at 31 December 2013, 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) "Yue Xiu" refers to Yue Xiu Investment Fund Series Segregated Portfolio Company (越秀基金獨立投資組合公司), a company incorporated in Cayman Islands with limited liability.

(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 22 wholly-owned PRC subsidiaries of our Group are Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司, "Ruzhou Cement"), Tianrui Group Zhoukou Cement Company Limited (天瑞集團周口水泥有限公司, "Zhoukou Cement"), Weihui Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司, "Weihui Cement"), Shangqiu Tianrui Cement Company Limited (商丘天瑞水泥有限公司, "Shangqiu Cement"), Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司, "Zhengzhou Cement(Xingyang)"), Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司, "Dalian Cement"), Yingkou Tianrui Cement Company Limited (營口天瑞水泥有限公司, "Yingkou Cement"), Tianrui Group Nanzhao Cement Company Limited (天瑞集團南召水泥有限公司), Liaoyang Tianrui Cement Company Limited (遼陽天瑞水泥有限公司, "Liaoyang Cement"), Tianrui Group Yuzhou Cement Company (天瑞集團禹州水泥有限公司, formerly known as 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), Liaoyang Tianrui Weiqi Cement Company Limited (遼陽天瑞威企水泥有限公司, "Weiqi Cement"), Liaoning Liaota Group Cement Company Limited (遼寧遼塔集團水泥有限公司, "Liaota Cement"), Dengta Liaota Cement Company Limited (燈塔市遼塔水泥有限公司,"Dengta Cement"), Liaoning Liaodong Cement Group Company Limited (遼寧遼東水泥集團有限公司, "Laodong Cement") and Dalian Jinhaian Construction Materials Group Company Limited (大連金海岸建材集團有限公司, "Dalian Jinhaian").

(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.

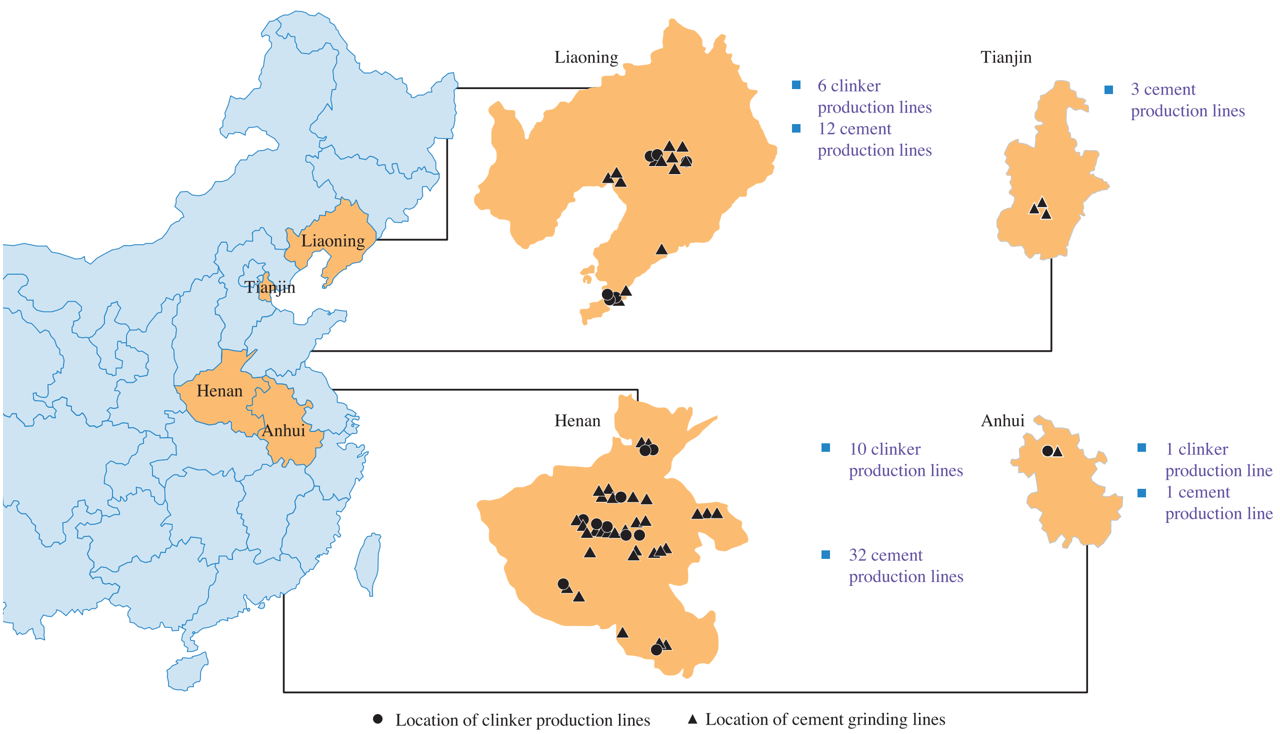
(16) "Xinyang Jinlong" refers to Xinyang Jinlong Cement Company Limited (信陽金龍水泥有限責任公司), a company established in the PRC with limited liability and a subsidiary of the Company. The other two shareholders of Xinyang Jinlong are Zhang Xiaogen（張小根）and Zhang Qingrong（張清榮）in the relationship between husband and wife, who hold 20% and 10% equity interest, respectively.

(17) "Chengxing Cemment" refers to Liaoyang Tianrui Chengxing Cement Company Limited (遼陽天瑞誠興水泥有限公司), a company established in the PRC with limited liabilities and a subsidiary of the Company. The other shareholder of Chengxing Cement is Yang Qinggang (楊慶庚), who holds 30% equity interest.

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 2013, the Group had 17 clinker production lines and 48 cement grinder production lines with a total annual production capacity of 27.1 million tonnes of clinker and 48.1 million tonnes of cement, respectively, representing an increase of 1.2 million tonnes of clinker and 5.3 million tonnes of cement from that as of 31 December 2012. Of such total annual production capacity, Henan region (including Anhui) had a cement production capacity of 32.4 million tonnes and a clinker production capacity of 18.1 million tonnes, and Liaoning region (including Tianjin) had a cement production capacity of 15.7 million tonnes and a clinker production capacity of 9.0 million tonnes. In addition, we directly own 40% equity interest in an associated company which operates two New Dry Process clinker production lines with an annual production capacity of 3.1 million tonnes. Based on our attributable interest in such associated companies, the Group has a total of attributable production capacity of 28.3 million tonnes of clinker and 48.1 million tonnes of cement as of 31 December 2013.



FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Revenue	**8,661,166**	7,590,897
Gross profit	**1,894,990**	1,898,758
EBITDA	**2,211,835**	2,202,237
Profit	**483,045**	762,789
Of which: Profit attributable to owners of the Company	**558,955**	783,393
Basic earnings per share	**0.23**	0.33
Diluted earnings per share	**N/A**	0.33
Net cash generated from operating activities	**1,656,185**	1,892,972
Net cash used in investing activities	**(3,183,253)**	(1,829,834)
Net cash generated from financing activities	**1,989,692**	258,059

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Total assets	**22,648,248**	18,840,296
Of which: Current assets	**8,285,301**	6,652,293
Total liabilities	**15,777,747**	12,496,836
Of which: Current liabilities	**11,182,117**	10,410,297
Total equity	**6,870,501**	6,343,460
Of which: Equity attributable to owners of the Company	**6,873,809**	6,323,564

BUSINESS REVIEW

In 2013, we effectively boosted the sales volume of our cement products, enhanced the utilization rates of all production lines and strengthened our position as a leader in Henan and Liaoning cement markets.

In 2013, we continued to implement our policy of reducing cost and expanding market coverage to enhance our efficiency and to improve results of our operations, competitiveness and sustainability. During the period, our sales volume of cement reached 36.9 million tonnes, representing an increase of 10.8 million tonnes, or 41.4% as compared with 2012. Though the total clinkers produced by the Group increased substantially, only 3.9 million tonnes of clinkers sold externally, representing an increase of 8.3% as compared with 3.6 million tonnes in 2012. Our clinkers produced in 2013 were primarily used to satisfy our internal demand for cement production. In 2013, we recorded revenue of RMB8,661.2 million, representing an increase of RMB1,070.3 million or 14.1% as compared with 2012. In 2013, we took various measures to reduce costs, including optimizing our utilization rates and centralizing our procurement. We believe that our high efficiency in cement production by maintaining a higher utilization rate in our well-designed facilities and the centralized procurement of coal and raw materials have afforded our Group a significant cost advantage over major competitors in Henan and Liaoning, our primary markets.

In 2013, we took strategic steps in consolidating cement producers in Liaoning market and Henan market, by acquiring seven cement and clinker enterprises, comprising 1 clinker production lines with an aggregate production capacity of approximately 1.2 million tonnes per annum and 6 cement production lines with an aggregate production capacity of approximately 5.3 million tonnes per annum with total consideration of RMB677,630,000. Such acquired capacities contributed RMB615.0 million to our revenue and RMB41.0 million to our operating profit for the reporting period.

BUSINESS ENVIRONMENT

According to the recent government work report delivered by Li Keqiang, the prime minister of China, the general guideline for economic work is to make progress on adjusting the structure of economic development while maintaining stability of economic growth. In 2013, under the new leadership, the PRC government successfully managed the nation's gross domestic product (GDP) to grow at 7.7%. Although it is relatively moderate, if compared with the growth rate of each of the most recent 10 years, China is undoubtedly the fastest growing country among the major economies.

Investment continued to be the No.1 contributor to the economic growth of China, with its ratio of contribution to economic growth added 3.3 percentage points to 50.4%. China's fixed asset investment (FAI) (excluding rural household) in 2013 amounted to RMB43.7 trillion, representing an increase of 19.6% over the corresponding period in 2012. Investment in infrastructure (excluding production and supply of electricity, heat, gas and water) increased 21.2%, representing a growth rate of 7.9 percentage points more than the growth rate recorded in 2012. Nationwide real estate developmental investment increased by 19.8% in 2013, a growth rate of 3.6 percentage points over that figure of 2012.

According to the Bureaus of Statistics of relevant provincial or municipal regions, for the whole year of 2013, Henan, Liaoning, Anhui and Tianjin, the regions where we operate, recorded GDP growth of 9.0%, 8.7%, 10.4% and 12.5%, respectively, over the corresponding period in 2012. In the meantime, the 2013 FAI (excluding rural household) in Henan, Liaoning, Anhui and Tianjin were RMB2.53 trillion, RMB2.48 trillion, RMB1.81 trillion and RMB952.81 billion, representing increases of 23.2%, 15.1%, 21.1% and 14.1%, respectively, over the year of 2012.

CEMENT INDUSTRY

Cement demand in China continued to grow in 2013, primarily driven by the growth of investments in infrastructure and real estate. According to the National Bureau of Statistics, the total cement production in China reached 2.41 billion tonnes in 2013, representing a YOY increase of 9.57%, 3.83 percentage points higher than the growth rate of 2012. According to the China Cement Association, the cement production volume in Henan, the second largest province in China in terms of the volume of cement production, reached 167.64 million tonnes for the first half of 2013, representing a YOY increase of 14.05 million tonnes or 9.30%. The cement production volume in Liaoning was 60.05 million tonnes for the year of 2013, representing a slight decrease of 0.28% over the corresponding period in 2012, due to the lower growth in regional fixed assets investment, especially the investment in the secondary sector of economy. In 2013, the volume of cement production in Anhui and Tianjin recorded YOY increases of 12.29% and 10.71%, respectively.

According to the monthly reports issued by China Cement Research Institute (中國水泥研究院), 72 new clinker production lines commenced production in 2013, which increased clinker production capacity by 89.06 million tones per annum, or 5.06% over the 2012 national production capacity of clinker. New capacities mainly concentrated in the northwest and southwest of China. Among them, four new production lines with combined capacity of 4.87 million tonnes per annum were constructed in Henan and three new production lines with total capacity of 3.88 million tonnes per annum were constructed in Liaoning.

The efforts by Chinese central government to rebalance the supply and demand of the overcapacity industries including the cement industry are widely considered necessary to adjust economic structure, which has been announced as the focus of its economic work. With the Chinese government's encouragement and promotion, mergers and acquisitions led by major cement producers are expected to accelerate the market consolidation in the cement industry. The optimal allocation of resources and sustainable growth will be the key task for cement industry development going forward. Meanwhile, the elimination of obsolete capacity and strict approval on new capacity will improve supply and demand dynamics, resulting in better business environment of the cement industry. The Chinese government has been supporting larger and more efficient cement companies and encouraging the consolidation trend in the cement industry, through the issuance of a number of regulations including the following:

— On 10 May 2013, the National Development and Reform Commission and the Ministry of Industry and Information Technology jointly published "Notice on Curbing the Blind Expansion of Serious Overcapacity Industries", which stated that the overcapacity issue and new capacity control of certain industries, including the cement industry, will be the focus of work plan for 2013 so as to strictly control the new production capacities for those industries.

— On 25 July 2013, the Ministry of Industry and Information Technology issued a list of industries with obsolete production capacities, which are required to be shut down by the end of September 2013. According to this list, an aggregate of 92.8 million tonnes of obsolete cement and clinker capacity will be eliminated in 2013. In the regions, where we operate, an aggregate production capacity of 1.2 million tonnes clinker in Henan, 400,000 tonnes clinker and 400,000 tonnes cement in Liaoning, 600,000 tonnes clinker in Anhui and 2.0 million tones cement in Tianjin, respectively, are considered obsolete capacities and shall be eliminated in 2013.

— On 15 October 2013, the State Council of China published "guideline on how to resolve the conflicts caused by serious excess production capacity in some industries", which set a goal to eliminate production capacity of 100 million tonnes cement by the end of 2015 and urged the abolition of 32.5 grade cement from GB standards which is expected to cease the usage of 32.5 grade cements in 5 years.

FINANCIAL REVIEW

Revenue

Our revenue was approximately RMB8,661.2 million in 2013, representing an increase of RMB1,070.3 million, or 14.1%, from approximately RMB7,590.9 million in 2012.

Leveraging our analysis of market conditions on a regular basis, we developed and adjusted our marketing strategy in order to achieve a sustainable competitive advantage. In response to the intensified competition in 2013, we adopted a proactive pricing strategy by leveraging our efficient production system, economies of production scale and effective sales and marketing strategies with an aim to increasing our respective market shares in Henan and Liaoning, which are our primary markets. Our revenue from cement sales was approximately RMB7,996.2 million in 2013, representing an increase of RMB1,266.3 million, or 18.8%, as compared with 2012. The increase was primarily attributable to the increase of sales volume of our cement by 10.8 million tonnes or 41.4%, from 26.1 million tonnes in 2012 to 36.9 million tonnes in 2013. The increase of our sales volume of cement was primarily due to our proactive pricing strategy as described above and the general increase in the market demand for our cement products, driven by rural development and the demand from certain large-scale infrastructure projects, such as the South-north Water Transfer Project (南水北調工程).

Clinker is a semi-finished product used to produce cement. Our clinkers produced in 2013 were primarily used to satisfy our internal demand for cement production. Though the total clinkers produced the by Group increased substantially, only 3.9 million tonnes of clinkers were sold externally, representing an 8.3% increase from 3.6 million tonnes of clinkers sold externally in 2012. We recorded approximately RMB665.0 million of revenue generated from clinker sales in 2013, representing a decrease by RMB196.0 million, or 22.8%, from approximately RMB861.0 million in 2012. Our revenue from sales of cement as a percentage of revenue was approximately 92.3% in 2013 and 88.7% in 2012, respectively. Our revenue from sales of clinker as a percentage of revenue was approximately 7.7% in 2013 and 11.3% in 2012, respectively.

Cost of Sales

In 2013, we continued our efforts in reducing unit production costs of cement and clinker by leveraging on our economies of scale and through centralized procurement. Our unit production cost of cement further reduced, partly offsetting the negative effect on our gross margin as the result of lower selling prices. Our cost of sales was approximately RMB6,766.2 million in 2013, representing an increase of RMB1,074.0 million, or 18.9% as compared with 2012. The increase was primarily due to the significant increase in our cement sales.

Our cost of sales mainly consists of raw materials, coal and electricity. In 2013, our costs of raw materials, coal and electricity as a percentage of cost of sales was 38.5%, 32.7% and 18.3%, respectively. During the period, our costs of raw materials, coal and electricity for production of cement per tonne was RMB65.2, RMB55.5 and RMB30.8, respectively, representing decreases of RMB0.9, RMB19.1, and RMB1.0, respectively, as compared with 2012.

Gross Profit and Gross Profit Margin

Our gross profit was approximately RMB1,895.0 million for the year ended 31 December 2013, representing a decrease of RMB3.8 million, or 0.2%, from approximately RMB1,898.8 million last year. Our gross profit margin decreased to approximately 21.9% in 2013 from 25.0% in 2012. The decreases in both gross profit and gross profit margin were primarily due to decreases in the average selling prices of our cement and clinker products.

Other income and other gains and losses

Other income was approximately RMB400.7 million for the year ended 31 December 2013, representing an increase of RMB23.9 million, or 6.3%, from approximately RMB376.8 million for the year ended 31 December 2012. The increase was primarily due to the increase of interest income on bank deposits and externally interest-bearing loans.

Selling and Distribution Expenses

Our selling and distribution expenses were approximately RMB347.1 million for the year ended 31 December 2013, representing an increase of RMB74.1 million, or 27.2%, from approximately RMB273.0 million for the year ended 31 December 2012. The increase was primarily due to a significant increase of transportation and shipping expenses as a result of the increase in our cement sales volume.

Administrative Expenses

Administrative expenses were approximately RMB405.6 million for the year ended 31 December 2013, representing an increase of RMB43.4 million, or 12.0%, from approximately RMB362.2 million for the year ended 31 December 2012. The increase was mainly due to the increase of appointment of more administrative personnel and more staffs with university education background to drive the growth of the business during the period.

Other Expenses

Other expenses were approximately RMB61.5 million for the year ended 31 December 2013, representing an increase of approximately RMB18.2 million, or 42.0%, from approximately RMB43.3 million for the year ended 31 December 2012.

Finance Costs

Finance costs were approximately RMB752.1 million for the year ended 31 December 2013, representing an increase of RMB182.1 million, or 31.9%, from RMB570.0 million for the year ended 31 December 2012. The increase was primarily attributable to the increase in the interest expenses of long-term corporate bonds in an aggregate principal amount of RMB2 billion issued by a subsidiary of our Company in China on 6 February 2013 with a term of five years and an interest rate of 7.10% per annum, with an option to further extend three years subject to bond-holders' approval.

Profit before Taxation

As a result of the foregoing, our profit before taxation was approximately RMB729.3 million for the year ended 31 December 2013, representing a decrease of approximately RMB297.8 million, or approximately 29.0%, from approximately RMB1,027.1 million for the year ended 31 December 2012.

Income Tax Expenses

Our income tax expenses were approximately RMB246.3 million for the year ended 31 December 2013, representing a decrease of RMB18.0 million, or 6.8% from approximately RMB264.3 million for the year ended 31 December 2012, which was mainly due to the decrease in profit before taxation.

Profit Attributable to Owners of the Company and Net Profit Margin

As a result of the foregoing, our profit attributable to owners of the Company for the year ended 31 December 2013 was approximately RMB559.0 million, representing a decrease of RMB224.4 million, or 28.6%, from approximately RMB783.4 million for the year ended 31 December 2012. The net profit margin decreased from 10.0% for the year ended 31 December 2012 to 6.5% for the year ended 31 December 2013, primarily attributable to the decrease of revenue and gross profit and the increase of our financial costs and other operating expenses as a percentage of our revenue.

FINANCIAL AND LIQUIDITY POSITION

Loan receivables

Loan receivables were RMB993.8 million for the year ended 31 December 2013 (31 December 2012: Nil), due to short-term financial support loans to several independent enterprises and interest income receivables. The principal and interest income was collected before the date of this report.

Trade and other receivables

Trade and other receivables increased from RMB2,454.5 million as at 31 December 2012 to RMB2,822.1 million as at 31 December 2013, mainly due to the increase in prepayment for the purchase of coals, the increase of deposits for transportations and decrease of bills receivables.

Inventories

Inventories increased from RMB1,140.2 million as at 31 December 2012 to RMB1,311.9 million as at 31 December 2013, primarily due to our expansion of scale after the acquisition of the seven cement and clinker enterprises.

Cash and cash equivalents

Cash and bank balance increased from RMB553.7 million as at 31 December 2012 by RMB462.6 million or 83.6% to RMB1,016.3 million as at 31 December 2013, primarily due to (i) accumulated cash inflows from operations during the period, and partly due to (ii) the increase of cash inflows from financing activities during the period.

Borrowings

As at 31 December 2013, total borrowings and bonds (including corporate bonds) of the Group increased by approximately RMB2,949.1 million or 39.0% to approximately RMB10,575.9 million from RMB7,563.9 million over the corresponding period last year. Of which, borrowings due within one year and short-term bonds (including mid-term bonds due within one year) increased from RMB5,902.9 million as at 31 December 2012 to RMB6,375.9 million as at 31 December 2013, of which, approximately RMB4,441.3 million was borrowings at fixed interest rates; borrowings due after one year, mid-term, long-term bonds and corporate bonds increased from RMB1,661.0 million as at 31 December 2012 to RMB4,200.0 million as at 31 December 2013, of which, approximately RMB600.0 million was borrowings at fixed interest rates; the Group has been repaying the debts in accordance with the terms of the loan agreement, we had unutilized bank facilities of approximately RMB1,954.0 million as at 31 December 2013.

Principal sources of liquidity of the Group

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

MAJOR ACQUISITIONS AND DISPOSALS

In 2013, we took strategic steps in consolidating cement producers in Liaoning market and Henan market, by acquiring seven cement and clinker enterprises, comprising 1 clinker production line with an aggregate production capacity of approximately 1.2 million tonnes per annum and 6 cement production lines with an aggregate production capacity of approximately 5.3 million tonnes per annum with total consideration of RMB 677.63 million:

1) On 6 March 2013, the Group completed acquisition of 100% equity interest in Liaoning Hengwei Group Weiqi Cement Company Limited (遼寧恒威集團威企水泥有限公司) with an annual production capacity of approximately 1 million tonnes of cement.

2) On 24 March 2013, the Group completed acquisition of 70% equity interest in Liaoyang Chengxing Cement Manufacture Company Limited (遼陽市誠興水泥製造有限公司) with an annual production capacity of approximately 1.10 million tonnes of cement.

3) On 10 May 2013, the Group completed acquisition of 100% equity interest in Liaoning Liaota Group Cement Company Limited (遼寧遼塔集團水泥有限公司) with an annual production capacity of approximately 1.20 million tones of clinker.

4) On 19 July 2013, the Group completed acquisition of 100% equity interest in Liaoning Liaodong Cement Group Company Limited (遼寧遼東水泥集團有限公司) with an annual production capacity of approximately 0.6 million of cement.

5) On 19 July 2013, the Group completed acquisition of 100% equity interest in Dengta Liaota Cement Company Limited (燈塔市遼塔水泥有限公司) with an annual production capacity of approximately 1.0 million of cement.

6) On 8 August 2013, the Group completed acquisition of 70% equity interest in Xinyang Jinlong Cement Company Limited (信陽金龍水泥有限責任公司) with an annual production capacity of approximately 1 million tonnes of cement.

7) On 10 October 2013, the Group completed acquisition of 100% equity interest in Dalian Jinhaian Construction Materials Group Company Limited (大連金海岸建材集團有限公司) with an annual production capacity of approximately 0.6 million tonnes of cement.

Such acquired capacities contributed RMB615.0 million to our revenue and RMB41.0 million to our operating profit for the reporting period.

GEARING RATIO

As at 31 December 2013, our gearing ratio was 69.7%, representing an increase of 3.4 percentage points from 66.3% as at 31 December 2012, the changes of gearing ratio was due to the increase of our debts during the period (including non-current liabilities and current liabilities).

As at 31 December 2013, our current ratio was 0.7, representing an increase of 0.1 or 16.0% from 0.6 as at 31 December 2012. Our quick ratio was 0.6, representing an increase of 0.1 or 20.0% from 0.5 as at 31 December 2012, the changes of above ratios were due to the increase of ending balances of loan receivables, trade and other receivables and cash and bank balances.

As at 31 December 2013, our equity ratio was 2.3, representing an increase of 0.3 or 16.6% from 2.0 as at 31 December 2012, the changes of equity ratio was due to the increase of equity with generated profit from the current year.

Notes:

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

NET GEARING RATIO

As at 31 December 2013, our net gearing ratio was 107.9%, representing an increase of 36.6 percentage points from 71.3% as at 31 December 2012. Net gearing ratio is calculated by dividing net borrowings by equity attributable to owners of the Company.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure as at 31 December 2013 was approximately RMB2,698 million (2012: approximately RMB1,283.8 million) and capital commitments as at 31 December 2013 was approximately RMB564.5 million (2012: approximately RMB594.0 million). Both the capital expenditure and capital commitments were mainly related to the acquisition of the business, the construction of production facilities and the acquisition of buildings, plant and machinery, motor vehicles, office equipment, construction in progress and mining rights. Our Group funded capital expenditure through cash generated from operations and bank and other borrowings.

PLEDGE OF ASSETS

As at 31 December 2013, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB2,850.3 million (2012: approximately RMB2,666.3 million).

CONTINGENT LIABILITIES

As at 31 December 2013, other than contingent liabilities arising from the provision of guarantee to third parties and connected parties amounting to approximately RMB798.5 million (31 December 2012: RMB40.0 million), we did not have other contingent liabilities.

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2013, the Group neither held any material investment nor planned to make any material investment and acquire any capital assets in future.

MARKET RISKS

Interest rate risk

We are exposed to interest rate risk resulting from our long-term and short-term borrowings. We review our borrowings regularly to monitor our interest rate exposure, and will consider hedging significant interest rate exposure should the need arise. As our exposure to interest rate risk relates primarily to our interest-bearing bank loans, our policy is to keep our borrowings at variable rates of interest so as to minimize fair value interest rate risk, and to manage our interest rate exposure 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 system of our short, medium and long-term funding and liquidity management requirements. We manage the liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in (both actual and forecast) cash flows. Our management also monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Currency risk

Details of the company amount of the Group's foreign currency for the year ended 31 December 2013 are set out in Note 49 to the consolidated financial statement.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, our Group had 8,086 employees (31 December 2012: 6,996). As at 31 December 2013, the employees' cost (including remuneration)was approximately RMB349.4 million (2012: approximately RMB284.4 million). The remuneration policies, bonus and training programs for employees of our Group were implemented continuously according to policies disclosed in the 2012 Annual Report of the Company and no change has been made for the year ended 31 December 2013.

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

The Company values its employees as the most valuable asset and is convinced that enhancing employees' sense of belonging is the core of successful business management. Therefore, it attaches great importance to maintaining effective communication with employees at all levels. In accordance with the requirements of relevant laws and regulations in China, the Company offers salary benefits for all employees, including salaries, allowances and pension insurance, work-related injury insurance, medical insurance and unemployment insurance and other social welfare, which are reviewed by management on a regular basis. The Company has also provided on-job training and professional skills and technical training for managers at all levels and other employees in order to constantly improve their skills and knowledge. For the year ended 31 December 2013, we organized 10,804 training sessions of all kinds lasting for 45-50 minutes each with an attendance of 40,994.

PROSPECTS

It is expected that in 2014, the Chinese government will adopt consistent policies in order to achieve steady economic growth, whereas infrastructure investment and property construction will remain the major driving force for the economic recovery. In particular, urbanization will continue to promote the long term development of China's economy, leading to the sustainable development of the cement industry. For Henan market, cement demand from rural sector is also expected to become a driving force for the regional cement demand. We also expect that the cement demand in Liaoning will accelerate in 2014.

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

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

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	Main Position
Li Liufa	56	Chairman and Non-executive Director
Yang Yongzheng	45	Executive Director and Chief Operating Officer
Wang Delong	48	Executive Director and Deputy Chief Executive Officer
Xu Wuxue	38	Executive Director and Chief Financial Officer
Tang Ming Chien	63	Non-executive Director
Ma Chun Fung Horace	43	Independent non-executive Director
Kong Xiangzhong	59	Independent non-executive Director
Wang Ping	43	Independent non-executive Director

Chairman and Non-executive Director

Mr. Li Liufa (李留法), aged 56, 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 Directors

Mr. Yang Yongzheng (楊勇正), aged 45, is an executive Director of our Company and the Chief Operating Officer and a member of the Nomination Committee, and general manager of Tianrui Group Cement Company Limited (天瑞集團水泥有限公司) ("Tianrui Cement"). Mr. Yang was appointed as an executive Director of the Company on 11 May 2013 and was appointed as the Chief Operating Officer of our Company on 1 October 2013. He has extensive experience in the cement industry and is primarily responsible for the daily production and operation of the Company and its subsidiaries (collectively the "Group"). Mr. Yang joined the Group in 2004, and has served as the deputy general manager of Shangqiu Tianrui Cement Company Limited (商丘天瑞水泥有限公司) and Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司), the general manager of Yingkou Tianrui Cement Company Limited (營口天瑞水泥有限公司) and the chairman and general manager of Liaoyang Tianrui Cement Company Limited (遼陽天瑞水泥有限公司) ever since. He was appointed as general manager of Tianrui Cement in 2012. Mr. Yang obtained his bachelor degree in Petroleum and Engineering from Henan University in 1991 and obtained his EMBA from Peking University in 2012. In June 2012, Mr. Yang was awarded "Advanced Worker in the Mining Industry and Building Material Industry of Small and Medium Enterprises in Liaoning Province" (遼寧省中小企業礦業建材行業先進工作者). Mr. Yang obtained the title of senior economist in December 2013.

Mr. Wang Delong (王德龍), aged 48, is an executive Director and Deputy chief executive officer of our Company. Mr. Wang was appointed as the executive Director and Deputy chief executive officer of our Company on 11 May 2013. He has extensive experience in financial investment. Mr. Wang joined the Group on February 2013 and was appointed as a director of Tianrui Cement. Before joining the Group, Mr. Wang was the chief editor of Henan Rural Financial Newspaper (河 南 農村金融時報), deputy director of Pingdingshan sub-branch of Agricultural Bank of China (中國農業銀行農行平頂山市 分 行), chief of risk control department of Henan branch of Agricultural Bank of China(農行河南省分行), director of Kaifeng branch of Agricultural Bank of China (農行開封市分 行), deputy general manager of Beijing Zehua Investment Group (北京澤華投資集團), chairman of the board of Henan Qingan Chemical High-tech Co., Ltd. (河南慶安化工高科技股份有限公司), a subsidiary of Beijing Zehua Investment Group,chairman of Zhejiang Qingan Chemical Co., Ltd. (浙江慶安化工有限公司), and chairman of Zhejiang Jiaxing Storage Terminal Co., Ltd. (浙江嘉興倉儲碼頭有限公司). In 1999, Mr. Wang graduated with the bachelor's degree in political economics from the Zhengzhou University. Mr. Wang is a senior economist.

Mr. Xu Wuxue (徐武學), aged 38, is executive Director of the Company and the Chief Financial Officer and a member of the remuneration committee and the Financial Controller of our Group. Mr. Xu was appointed as an executive Director and Chief Financial Officer of the Company on 11 May 2013. 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.

Non-executive Directors

Mr. Tang Ming Chien (唐明千), aged 63, is a non-executive Director. 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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Ma Chun Fung Horace (馬振峰) (formerly known as Ma Ka Keung (馬家強)), aged 43, is an independent non-executive Director and the chairman of the Audit Committee. 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 ("HKICPA"), a fellow of the Association of Chartered Certified Accountants("ACCA"), 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 is currently the chief financial officer of S. Culture International Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 1255) on 11 July 2013. 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
China Saite Group Company Limited	Stock Exchange: 00153	Independent non-executive Director

Mr. Ma also had held directorships in the following publicly listed companies:

Name of the company	Stock Code	Title	Period
FAVA International Holding Limited	Stock Exchange: 8108	Executive Director	September 2010 to October 2011
Dejin Resources Group Company Limited	Stock Exchange: 1163	INED	June 2010 to June 2013
Universe International Holding Limited	Stock Exchange: 1046	INED	November 2008 to December 2013

Mr. Kong Xiangzhong (孔祥忠), aged 59, is an independent non-executive Director, the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee. Mr. Kong was appointed as an independent non-executive Director, 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 43, is an independent non-executive Director, 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., a financial advisory and consulting firm focusing on initial public offerings, capital raising and private equity investments, from May 2007 to March 2010 as vice president and subsequently as director in May 2008. From February 2004 to March 2007, he served as chief financial officer for China Jishan Holdings Limited, the shares of which are listed on the main board of Singapore Stock Exchange. From September 1999 to August 2002, he served as a senior accountant and subsequently a manager for audit department of Deloitte Touche Tohmatsu CPA Ltd. Mr. Wang Ping has been serving as an independent non-executive director of China Hangking Holdings Limited (Stock Code: 3788), a company listed on the Stock Exchange since February 2011, 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. Li Heping (李和平), aged 57, is a Chief Executive Officer of the Company. After joining our Group, Mr. Li had been an executive Director of the Company until April 2013 and is currently the chief executive officer of the Company. 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. Yang Yongzheng (楊勇正), aged 45, was appointed as the general manager our Group in 2012 and was appointed as the Chief Operating Officer of our Company on 1 October 2013. Please Details of Mr. Yang's profile are set out in "Profiles of Directors and Senior Management" of this Annual Report.

Mr. Wang Delong (王德龍), aged 48, was appointed as the vice executive officer of our Company on 11 May 2013. Details of Mr. Wang's profile are set out in "Profiles of Directors and Senior Management" of this Annual Report.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Jing Xianyu (井獻玉) (formerly known as Jing Xianyu (井現於)), aged 49, 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 38, is the Chief Financial Officer of our Company and the Financial Controller of our Group, and was appointed as the Chief Financial Officer of our Company on 11 May 2013. Please Details of Mr. Xu's profile are set out in "Directors" of this Annual Report.

Mr. Yu Yagang (郁亞杠), aged 62, is the chief accountant of our Group. 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, and ceased to be the executive Director and chief financial officer of our Company from 11 May 2013. 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".

Mr. Guo Zhiwei (郭志偉), aged 42, is a deputy general manager of our Group and responsible for business development and capital operation. He has 15 years 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 51, 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 45, 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 57, 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. He was also the manager of the Development Department of Tianrui Cement, was responsible for preparation of construction projects.Mr. Zhao obtained his master's degree from Macau University of Science and Technology (澳門科技大學) in 2008. Mr. Zhao holds a qualification of "Senior Engineer" and was awarded 2003 Excellent Entrepreneur in National Building Material Industry (2003年 度全國建材行業優秀企業家) in September 2003.

Mr. Gao Yunhong (高運紅), aged 43, 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)".

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Jia Huaping (賈 華 平), aged 55, 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. Lv Xing (呂　行), aged 35, is the deputy financial controller of our Company and a deputy chief accountant of our Group. Mr. Lv joined the Company as a deputy chief accountant in 2012 and was appointed as the deputy financial controller of our Company on 1 October 2013, and is primarily responsible for the review and analyzing of financial reports, finance and mergers and acquisitions business. Mr. Lv has extensive experience in financing. He served as an assistant auditor, senior auditor and an audit manager in Deloitte Touche Tohmatsu since 2001 prior to joining the Company. Mr. Lv graduated from Beijing University of Industry and Commerce (北京工商大學) with bachelor's degree in economics in 2001. Mr. Lv holds the certificate of "Certified Public Accountant".

Ms. An Jiamin (安嘉敏), aged 60, 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 44, 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 58, 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 36, is a joint company secretary of the Company and a vice general manager of capital operation of the Group and a chief representative for Hong Kong business. He is mainly responsible for capital market investment and financing business and investor relations. Mr. Li was appointed as the joint company secretary of the Company on 1 March 2013. Mr. Li has extensive experience in capital operation and had participated in the whole process of Initial Public Offering of China Tianrui Group Cement Company Limited on the Hong Kong Stock Exchange. After joining our Group, Mr. Li served as the sales manager of Tianrui Group Zhengzhou Cement Company Limited, the deputy head of the capital operation department of Tianrui Cement, the general manager of Zhengzhou Tianrui Cement Company Limited and the assistant to the general manager of the Company and director of Hong Kong Office of the Company. Before joining the Group, Mr. Li had been a marketing assistant of Henan Xinfei Electric Appliance Co., Ltd. (河南新飛電器有限公司) and a Requirement Engineer of China E-port Data Center (中國電子口岸數據中心). Mr. Li obtained his master's degree from Wuhan University of Technology (武漢理工大學), majoring in international economics and trade, and obtained the securities practice qualification from the Securities Association of China.

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 2013 (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 2013 are set out in Note 53 to the Consolidated Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the Consolidated Financial Statements of this Annual Report.

The Board did not recommend to declare any final dividend for the year ended 31 December 2013.

5 YEAR FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

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

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings are set out in Notes 32, 33, 36 and 37 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 2013.

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2013 are set out in the Consolidated Financial Statements of this Annual Report.

DISTRIBUTABLE RESERVES OF THE GROUP

The Group's reserves available for distribution to shareholders as at 31 December 2013 amounted to RMB3,517.4 million (31 December 2012: RMB 3,014.0 million).

PUBLIC FLOAT

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

PRE-EMPTIVE RIGHT

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

DIRECTORS

The Directors of the Company for the year ended 31 December 2013 were:

Chairman and Non-executive Director

Mr. Li Liufa

Executive Directors

Mr. Li Heping (retired on 26 April 2013)
Mr. Liu Wenying (retired on 26 April 2013)
Mr. Yu Yagang (resigned on 11 May 2013)
Mr. Yang Yongzheng (appointed on 11 May 2013)
Mr. Wang Delong (appointed on 11 May 2013)
Mr. Xu Wuxue (appointed on 11 May 2013)

Non-executive Director

Mr. Tang Ming Chien

Independent Non-executive Directors

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

In accordance with the Articles of Association of the Company,

(i) Mr. Li Liufa, Mr. Tang Ming Chien and Mr. Ma Chun Fung Horace, will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company; and

(ii) Mr. Yang Yongzheng, Mr. Wang Delong and Mr. Xu Wuxue, being directors appointed by the board during the year, will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' PROFILES

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with our Company for a term of three years with effect from their respective date of appointment 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 non-executive Directors) and one year (as for independent non-executive Directors), respectively, with effect from the dates of their respective appointment. The appointment is subject to the provisions of retirement and rotation of directors under the Articles of Association.

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

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, Mr. Kong Xiangzhong, the confirmation of their respective independence pursuant to rule 3.13 of the Listing Rules. We consider that our independent non-executive Directors have been independent from the date of their appointment to 31 December 2013 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 2013, 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	689,400,000	28.71

(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 2013, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period ended 31 December 2013 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 period ended 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the period ended 31 December 2013, none of the Directors or controlling shareholders (as defined under the Listing Rules) was interested in any business which competes or is likely to compete (directly or indirectly) with the businesses of the Group, save and except for the indirect equity interest of Chairman Li in Ruiping Shilong Cement Company Limited ("Ruiping Shilong") which is engaged in manufacturing and selling clinker in certain areas in Henan province as disclosed in the Prospectus .

During the reporting period, the independent non-executive Directors have reviewed the compliance with the Non-competition Deed based on information and confirmation provided by or obtained from Mr. Li Liufa and his associates (as defined under the Listing Rules), and were satisfied that the controlling shareholders of the Company, namely, Mr. Li Liufa, Mr. Li Xuanyu, Yu Kuo, Yu Qi Company Limited ("Yu Qi") and Holy Eagle (collectively, the "Controlling Shareholders") and their respective associates have complied with the provisions of the non-competition deed entered into between the Company and the Controlling Shareholders on 9 December 2011 (the "Non-competition Deed").

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year ended 31 December 2013, save as disclosed in "continuing connected transactions" under "DIRECTORS' INTERESTS IN COMPETING BUSINESS", no contract of significance in relation to the Group's business to which the Company, or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at the closing or any time during the year.

DIRECTORS' REMUNERATION

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

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

RETIREMENT SCHEMES

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

The Group's contributions to the employee benefit plans for the year ended 31 December 2013 were RMB 23.8 million. Particulars of these plans are set out in Note 46 to the Consolidated Financial Statement of this Annual Report.

MANAGEMENT CONTRACTS

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

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

As at 31 December 2013, to the best knowledge of the Directors and the senior management of the Company, the followings are the persons (being shareholders of the Company), who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Capacity/ Nature of Interests	Total number of shares	Approximate percentage of shareholding(%)
Yu Kuo	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	689,400,000	28.71
Mr. Tang Ming Chien	Interests in controlled corporation/ Long position(2)	689,400,000	28.71
	Short position	689,400,000	28.71
JPMorgan PCA Holdings (Mauritius)I Limited	Beneficial owner/ Long position (3)	200,600,000	8.36
JPMorgan Private Capital Asia Fund I, L.P.	Interests in controlled corporation/ Long position(3)	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(3)	200,600,000	8.36
	Short position	33,433,340	1.39
JPMorgan Private Capital Asia GP Limited	Interests in controlled corporation/ Long position(3)	200,600,000	8.36
	Short position	33,433,340	1.39
JPMorgan Private Capital Asia Corp	Interests in controlled corporation/ Long position(3)	200,600,000	8.36
	Short position	33,433,340	1.39
JPMorgan Chase & Co.	Interests in controlled corporation/ Long position(3)	200,600,000	8.36
	Short position	33,433,340	1.39
Yue Xiu Investment Fund Series Segregated Portfolio Company	Interests in controlled corporation/ Long position	160,000,000	6.66

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

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

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

Saved as disclosed above, as at 31 December 2013, no other persons who are shareholders of the Company have interest or short position 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 2013, no option has been granted under the Share Option Scheme.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2013, 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 Rule 14A.45 or 14A.46 (if applicable) of the Listing Rules.

(a) Purchase of Clinker

The Company, on 26 September 2012, revised 2011 Clinker Supply Framework Agreement and annual cap for 2012 and 2013 of continuing connected transaction with Ruiping Shilong. Pursuant to relevant requirements in Rule 14A.36 and Rule 14A.34 of the Listing Rules, the Company shall be subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, and published an announcement on the same day in compliance with Rule 14A.47 under the Listing Rules.

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 2013, the actual amount paid by Zhoukou Cement to Ruiping Shilong for purchase of clinker was approximately RMB75.5 million.

On 26 September 2012, Tianrui Cement, a wholly-owned subsidiary of the Company, entered into the 2012 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, a wholly-owned subsidiary of the Company, to Ruiping Shilong for purchase of clinker for the years ended 31 December 2012 and ending 31 December 2013 are RMB100 million. For the year ended 31 December 2013, the actual amount paid by Tianrui Cement to Ruiping Shilong for purchase of clinker was approximately RMB96.2 million.

(b) Mutual guarantees

On 30 October 2013, the Group and Tianrui Group Joint Stock Limited Company ("Tianrui Group") entered into the mutual guarantee framework agreement. As the applicable percentage ratio of the mutual guarantee cap under the mutual guarantee framework agreement exceeds 5%, the Company is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Company has published an announcement on 30 October 2013 in strictly compliance with Rule 14A.47 of the Listing Rules. The Company has also convened separate general meeting on 27 November 2013 in accordance with Rule 14A.52 of the Listing Rules, with the resolution being passed.

Operating under a capital-intensive industry, the Group has to renew or extend existing bank facilities or obtain new loans in order to maintain current operating scale, operating capital requirements and proposed business acquisitions. To ensure the long-term and sustainable development of the Group's operations, it is essential to maintain sufficient guarantees to meet with the financing requirements. It is especially important under the stricter national credit policy. Hence, the Group intended to enhance its ability to obtain bank loans and other borrowings, as well as have the flexibility to approve and finalize the relevant loans and borrowings in timely manner with the benefit of the guarantees under the mutual guarantee framework agreement entered by Tianrui Group.

On 30 October 2013, Tianrui Group Cement Company Limited ("Tianrui Cement"), a wholly-owned subsidiary of the Company, and Tianrui Group (an associate of Chairman Li, and therefore, a connected person) entered into a framework agreement which provides mutual guarantees (the "Mutual Guarantee Framework Agreement"), pursuant to which the parties have conditionally agreed to provide mutual guarantees, directly by themselves or through their subsidiaries, with respect to each other (inclusive of their subsidiaries) during the Term for bank loans to be borrowed and/or debentures or corporate bonds to be issued by them. In addition, to control over the guarantee risk exposed to Tianrui Cement, on the same date as the Mutual Guarantee Framework Agreement, Chairman Li, the ultimate controlling shareholder of Tianrui Cement, entered into the Counter Guarantee Agreement with Tianrui Cement, pursuant to which Chairman Li has agreed to indemnify Tianrui Cement by means of the Counter Guarantee for any amount that Tianrui Cement or its subsidiaries would have to pay in accordance with the terms and conditions of each Tianrui Cement Guarantee under the Mutual Guarantee Framework Agreement, including the principal amount of the relevant loan, debenture or corporate bonds, any interest, fees, damages and enforcement expenses for breach of the relevant loan, debenture or corporate bonds. The annual caps for Tianrui Group Guarantee (as defined in the announcement dated 30 October 2013) are RMB5,200 million for the first 12 months and RMB6,000 million for the second 12 months. The annual caps for Tianrui Cement Guarantee (as defined in the announcement dated 30 October 2013) are RMB2,200 million for the first 12 months and RMB3,000 million for the second 12 months.

For the year ended 31 December 2013, according to the Mutual Guarantee Framework Agreement and as approved by a special committee, Tianrui Cement (including its subsidiaries) had provided guarantees of RMB772 million in aggregate to Tianrui Group (including its subsidiaries), while Tianrui Group (including its subsidiaries) had provided guarantees of RMB2,000 million in aggregate to Tianrui Cement (including its subsidiaries).

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, and either on normal commercial terms or on terms no less favorable to us than terms available to or from independent third parties; or

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

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

The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors 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 2013, apart from the transactions set out in the section headed "Continuing Connected Transactions" above, the Group also engaged in certain related party transactions as disclosed in Note 47 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 2013, 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 period ended 31 December 2013, save as disclosed in the Corporate Governance Report of this Annual Report, all the code provisions set out in the Code contained in Appendix 14 to the Listing Rules were met by the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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 2013 to 31 December 2013, our Company had adopted the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code to govern its corporate governance practices. Our Company had been in compliance with all code provisions set out in the Corporate Governance Code throughout the year ended 31 December 2013.

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 2013.

BOARD OF DIRECTORS

Responsibilities of the Board

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and management performance so as to protect and enhance the interests of the Company and its shareholders. Matters relating to the day-to-day operation of the Group are delegated to management. For the period from 1 January 2013 to 31 December 2013, 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 2013, 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. Yang Yongzheng, Mr. Wang Delong and Mr. Xu Wuxue; 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 renewed for a year with effect from 24 December 2013 based on the term of a year commencing from 24 December 2012 and expiring on 23 December 2013 as disclosed in the 2012 annual report.

Appointment, re-election and removal of Directors

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

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

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

BOARD MEETINGS

The Board conducts meetings on a regular or irregular basis to discuss the overall strategy and operational and financial performance of our Group. During the year ended 31 December 2013, the Board held five 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 (Retired by rotation)	1/5
Mr. Liu Wenying (Retired by rotation)	1/5
Mr. Yu Yagang (Resigned)	2/5
Mr. Yang Yongzheng	3/5
Mr. Wang Delong	3/5
Mr. Xu Wuxue	3/5
Non-executive Directors	
Mr. Li Liufa	5/5
Mr. Tang Ming Chien	5/5
Independent Non-executive Directors	
Mr. Ma Chun Fung Horace	4/5
Mr. Kong Xiangzhong	5/5
Mr. Wang Ping	5/5

As noted above, Mr. Ma Chun Fung Horace failed to attend one Board meeting for his personal reason. Mr. Li Heping and Mr. Liu Wenying only attend one Board meeting because they retired by rotation at the 2012 annual general meeting and only a Board meeting was convened from 1 January 2013 to the date when they retired by rotation. Mr. Yu Yagang only attended two Board meetings because only two Board meetings were convened during his office in 2013. Mr. Yang Yongzheng, Mr. Wang Delong and Mr. Xu Wuxue, the newly appointed Directors in 2013, were in office with effect from 11 May 2013, and three Board meetings were held from that date to 31 December 2013. The new Directors only attended the corresponding Board 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 Appendix 14.2.7 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 two general meetings, being the annual general meeting and the extraordinary general meeting, for the period from 1 January 2013 to 31 December 2013. The attendance record of Directors is as follows:

List of Directors who shall attend	Attendance/ Number of meetings held
Executive Directors	
Mr. Li Heping (Retired by rotation)	1/2
Mr. Liu Wenying (Retired by rotation)	1/2
Mr. Yu Yagang (Resigned)	1/2
Mr. Yang Yongzheng	0/2
Mr. Wang Delong	0/2
Mr. Xu Wuxue	1/2
Non-executive Directors	
Mr. Li Liufa	1/2
Mr. Tang Ming Chien	0/2
Independent Non-executive Directors	
Mr. Ma Chun Fung Horace	2/2
Mr. Kong Xiangzhong	1/2
Mr. Wang Ping	2/2

Mr. Li Heping, Mr. Liu Wenying and Mr. Yu Yagang only attended one general meeting because only one general meeting was convened during their office in 2013. As the appointment of Mr. Yang Yongzheng, Mr. Wang Delong and Mr. Xu Wuxue became effective on 11 May 2013 and only one general meeting was convened from that date to 31 December 2013, Mr. Xu Wuxue only attended one general meeting. As Yu Kuo Company Limited, which held a total of 39.57% shares of our Company and was ultimately controlled by Chairman Li, was a connected person of our Company and had material interests in the resolution to be passed at the extraordinary general meeting, Chairman Li and parties acting in concert with him holding 39.57% shares of our Company abstained from voting at the extraordinary general meeting and Chairman Li only attended a general meeting.

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

BOARD DIVERSITY POLICY

The Board adopt the following board diversity policy:

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

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

TRAINING FOR DIRECTORS

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

For the year ended 31 December 2013, the Directors (Mr. Yang Yongzheng, Mr. Wang Delong and Mr. Xu Wuxue, who were newly appointed during the year) had respectively accepted and learnt the directors' responsibilities, rights and obligations amended and prepared by the secretariat of our Company based on the Listing Rules and the 29th Affiliated Persons Enhanced Continuing Professional Development (ECPD) seminar on Insider Information, Insider Information Control and Effective corporate governance held by the Hong Kong Institute of Chartered Secretaries as consolidated and prepared by the secretariat of our Company. And each newly appointed director was provided information about the Group's structure, business and operations by the joint company secretaries upon commencement of office to enhance their understanding on the Group. In addition, the rest Directors (including Mr. Li Liufa, Mr. Tang Mingchien, Mr. Ma Chun Fung Horace, Mr. Kong Xiangzhong and Mr. Wang Ping 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 period from 1 January 2013 to 31 December 2013, the Audit Committee held a total of four meetings, among which three meetings were held with the auditors of our Company at which it mainly reviewed and approved the annual audit report for 2012 and the interim review report for 2013 issued by Deloitte; discussed the relevant matters, including the annual audit strategies for 2013 and the significant matters brought to its attention. Mr. Ma Chun Fung Horace, Mr. Kong Xiangzhong and Mr. Wang Ping attended such meetings.

On 21 March 2014, 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 2013.

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. Yang Yongzheng 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 2013 to 31 December 2013, the Nomination Committee held two meetings at which it mainly reviewed the structure, number of members and composition (including skills, knowledge and experience) of the Board, assessed the independence of the independent non-executive Directors, and discussed the retirement by rotation and re-election of each Director and the nomination resolution on new Directors. Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Li Heping attended such meetings. As Mr. Yang Yongzheng became a member of the Nomination Committee on 11 May 2013, and our Company did not convene any meeting of the Nomination Committee during the period from that date to 31 December 2013, there was no attendance record of Mr. Yang Yongzheng, the new Director.

Remuneration Committee

The responsibilities of the Remuneration Committee are to make recommendations to the Board as to the overall remuneration policy and structure of all Directors and senior management of the Group, to review individual performance-based remuneration and to ensure no Director participates in the determination of his own remuneration. The Remuneration Committee has adopted the practice under the code provision B.1.2(c)(i) to recommend the remuneration packages of selected executive Directors and senior management to the Board. The Remuneration Committee comprises three members, being Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Xu Wuxue. 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 2013 to 31 December 2013, the Remuneration Committee held two meetings at which it mainly discussed and approved the overall remuneration policy and structure of all Directors and senior management of the Group, reviewed the remuneration payments of Directors and senior management for 2012 and considered and approved the proposed remuneration of the new Directors. Mr. Wang Ping, Mr. Kong Xiangzhong Mr. Liu Wenying attended such meetings. As Mr. Xu Wuxue became a member of the Remuneration Committee on 11 May 2013, and our Company did not convene any meeting of the Remuneration Committee subsequent to that date until 31 December 2013, there was no attendance record of Mr. Xu Wuxue, the new Director.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration policy of the senior management has been recommended, reviewed and approved by our Remuneration Committee. The remuneration of the senior management whose names appear in the section headed "Profiles of Directors and Senior Management" in this Annual Report for the year ended 31 December 2013 can be classified into one band: the remuneration of all Directors and members of the senior management was below RMB1,000,000.

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

In accordance with Rule A.4.2 of Appendix 14 of the Listing Rules and article 84 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. Mr. Li Heping and Mr. Liu Wenying were recommended by the Board to retire by rotation at the 2012 annual general meeting. Retiring by rotation as executive Director of our Company, Mr. Li Heping ceased to be a member of the Nomination Committee of our Company and Mr. Liu Wenying ceased to be a member of the Remuneration Committee of our Company. Mr. Yu Yagang resigned as an executive Director and Chief Financial Officer of our Company due to his personal development with effect from 11 May 2013. Mr. Yu Yagang had confirmed that that he had no disagreement with the Board and there were no matters in relation to his retirement that needed to be brought to the attention of the shareholders of our Company.

Information on Newly Appointed and Re-appointed Directors

In accordance with Rule A.4.2 of Appendix 14 of the Listing Rules and article 83 of the Articles of Association of our Company, 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. Mr. Yang Yongzheng, Mr. Wang Delong and Mr. Xu Wuxue were appointed as executive Directors of our Company upon recommendation by the Nomination Committee and consideration and approval by the Board. Mr. Yang Yongzheng was appointed as a member of the Nomination Committee; Mr. Wang Delong was also appointed as Deputy Chief Executive Officer and Mr. Xu Wuxue was also appointed as a member of the Remuneration Committee. The appointment of Mr. Yang Yongzheng, Mr. Wang Delong and Mr. Xu Wuxue was effective from 11 May 2013 for a term of three years.

As the service contracts with Mr. Ma Chun Fung Horace, Mr. Kong Xiangzhong and Mr. Wang Ping, the independent non-executive Directors, as director expired on 23 December 2013, the resolution on re-appointment of Directors proposed by our Company was considered and approved by the Board and the re-appointment was ratified effective on 24 December 2013 for a term of one year.

Save as disclosed above, Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Ma Chun Fung Horace had respectively confirmed that: (i) he did not has any other relationship with any Director, senior management or substantial or Controlling Shareholder of our Company; (ii) he did not hold any position with our Company or any of its subsidiaries or any directorship in other listed public companies in the last three years, (iii) there was no other information which was required to be disclosed under Rules 13.51(2)(h) to (v) of the Listing Rules, or (iv) there was no other matters relating to their re-appointment as independent non-executive Directors of our Company that needed to be brought to the attention of shareholders 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 under "Report of the Directors".

INDEPENDENT AUDITOR'S APPOINTMENT AND COMPENSATION

The independent auditor of our Company is Deloitte Touche Tohmatsu. For the year ended 31 December 2013, the compensation payable for the statutory audit and non-audit services provided by Deloitte Touche Tohmatsu is as follows:

Services provided by auditors	**Compensation** *(RMB million)*
Audit of annual report	270.0
Non-audit services	98.0
Total	368.0

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 2013, 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 2013, are set out in the section headed the "Independent Auditors' Report" in this Annual Report.

JOINT COMPANY SECRETARIES

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

For the year ended 31 December 2013, Ms. Kwong, Mr. Yu and Mr. Li had respectively attended 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

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

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

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

Shareholders may also at any time make enquires to the Board. All enquiries shall be in writing and send by post to the principal place of business in Hong Kong of our Company or by e-mail to yc16906@sina.com or liht@tianruigroup.cn for the attention of the joint company secretaries.

INVESTOR RELATIONS

There were no material changes to the Articles of Association of our Company for the period from 1 January 2013 to 31 December 2013. 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 44 to 117, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, 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

25 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Revenue	6, 7	**8,661,166**	7,590,897
Cost of sales		**(6,766,176)**	(5,692,139)
Gross profit		**1,894,990**	1,898,758
Other income and other gains and losses	8	**400,726**	376,844
Distribution and selling expenses		**(347,121)**	(272,998)
Administrative expenses		**(405,620)**	(362,204)
Other expenses		**(61,545)**	(43,326)
Finance costs	9	**(752,107)**	(570,023)
Profit before tax		**729,323**	1,027,051
Income tax expense	10	**(246,278)**	(264,262)
Profit and total comprehensive income for the year	11	**483,045**	762,789
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**558,955**	783,393
Non-controlling interests		**(75,910)**	(20,604)
		483,045	762,789

	Notes	2013 RMB	2012 RMB
Earnings per share			
Basic	14	**0.23**	0.33
Diluted	14	**N/A**	0.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	11,843,388	11,062,558
Deposits paid	17	1,291,970	144,209
Prepaid lease payments	18	791,573	696,340
Mining rights	19	215,530	219,536
Goodwill	20	161,480	18,964
Other intangible assets	21	8,226	9,036
Interest in an associate	22	—	—
Deferred tax assets	39	50,780	37,360
		14,362,947	12,188,003
CURRENT ASSETS			
Inventories	23	1,311,917	1,140,232
Loan receivables	24	993,777	—
Trade and other receivables	25	2,822,099	2,454,522
Amounts due from a related party	27	—	3,989
Pledged bank balances	28	2,141,207	2,499,873
Cash and bank balances	29	1,016,301	553,677
		8,285,301	6,652,293
CURRENT LIABILITIES			
Trade and other payables	30	4,604,289	4,382,843
Amounts due to a related party	31	31,434	500
Tax liabilities		113,521	78,876
Short term debentures	32	2,100,000	1,000,000
Mid-term debentures - due within one year	36	300,000	—
Borrowings - due within one year	33	3,975,858	4,902,903
Obligations under finance leases	34	48,305	45,175
Financial guarantee contracts	35	8,710	—
		11,182,117	10,410,297
NET CURRENT LIABILITIES		(2,896,816)	(3,758,004)
TOTAL ASSETS LESS CURRENT LIABILITIES		11,466,131	8,429,999

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CAPITAL AND RESERVES			
Share capital	42	**19,505**	19,505
Reserves		**3,336,874**	3,290,080
Retained earnings		**3,517,430**	3,013,979
Equity attributable to owners of the Company		**6,873,809**	6,323,564
Non-controlling interests		**(3,308)**	19,896
TOTAL EQUITY		**6,870,501**	6,343,460
NON-CURRENT LIABILITIES			
Borrowings - due after one year	33	**700,000**	661,000
Mid-term debentures	36	**1,500,000**	1,000,000
Long-term corporate bonds	37	**2,000,000**	—
Other payables	38	**16,800**	20,250
Deferred tax liabilities	39	**44,260**	18,298
Deferred income	40	**183,960**	191,221
Obligations under finance leases	34	**135,980**	184,286
Provision for environmental restoration	41	**14,630**	11,484
		4,595,630	2,086,539
		11,466,131	8,429,999

The consolidated financial statements on pages 44 to 117 were approved and authorised for issue by the board of directors on 25 March 2014 and signed on its behalf by:

Li Liufa

DIRECTOR

Yang Yongzheng

DIRECTOR

	Share Capital RMB'000 (Note 42)	Share premium RMB'000	Capital reserve RMB'000 (note i)	Statutory reserve fund RMB'000 (note ii)	Other reserve RMB'000	Revaluation reserve RMB'000 (note iii)	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	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 (loss) and total comprehensive income (expense) for the year	—	—	—	—	—	—	783,393	783,393	(20,604)	762,789
Acquisition of subsidiary (Note 51)	—	—	—	—	—	—	—	—	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
Profit (loss) and total comprehensive income (expense) for the year	—	—	—	—	—	—	558,955	558,955	(75,910)	483,045
Acquisition of subsidiary (Note 50)	—	—	—	—	—	—	—	—	52,706	52,706
Transfer	—	—	—	55,504	—	—	(55,504)	—	—	—
Financial guarantee provided to related parties (Note 35)	—	—	—	—	(8,710)	—	—	(8,710)	—	(8,710)
At 31 December 2013	**19,505**	**1,275,536**	**789,990**	**413,244**	**826,336**	**31,768**	**3,517,430**	**6,873,809**	**(3,308)**	**6,870,501**

Note:

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2013

	2013 RMB'000	2012 RMB'000
Operating activities		
Profit for the year	**483,045**	762,789
Adjustments for:		
Income tax	**246,278**	264,262
Release of deferred income	**(7,261)**	(5,501)
Interest on bank deposits	**(64,871)**	(29,197)
Interest on loan receivables	**(74,365)**	—
Depreciation of property, plant and equipment	**698,996**	579,124
Finance costs	**752,107**	570,023
Foreign exchange (gain) loss	**(9,197)**	803
Amortisation of prepaid lease payments	**17,436**	12,900
Allowances (reversal) for bad and doubtful debts	**211**	(5,991)
Amortisation of mining rights	**13,163**	12,822
Amortisation of other intangible assets	**810**	317
Gain on disposal of property, plant and equipment	**(2,336)**	(1,803)
Gain on sales of available-for-sale investments	—	(5)
Provision for environmental restoration	**3,146**	2,075
Operating cash flows before movements in working capital	**2,057,162**	2,162,618
(Increase) decrease in inventories	**(114,882)**	68,462
(Increase) decrease in trade and other receivables	**(170,443)**	16,805
Decrease in investments held for trading	—	250,000
Change in amount due from (to) related parties	**34,923**	(3,556)
Increase (decrease) in trade and other payables	**74,472**	(277,343)
Cash generated from operations	**1,881,232**	2,216,986
Income tax paid	**(225,047)**	(324,014)
Net cash from operating activities	**1,656,185**	1,892,972

	Notes	2013 RMB'000	2012 RMB'000
Investing activities			
Interest received		**64,871**	29,197
Acquisition of subsidiaries (net)	50, 51	**(575,316)**	40,847
Purchase of property, plant and equipment		**(821,905)**	(265,063)
Addition of prepaid lease payments		**(1,407)**	(108,898)
Acquisition of mining rights		**(9,157)**	(10,825)
Proceeds from disposal of property, plant and equipment		**7,965**	7,981
Proceeds from disposal of available-for-sale investment		—	4,005
Deposits paid		**(1,291,970)**	(1,048,771)
Government grants for prepaid lease payments and property, plant and equipment		—	46,918
Decrease (increase) in pledged bank balances		**358,666**	(525,225)
Advance of loan receivables		**(915,000)**	—
Net cash used in investing activities		**(3,183,253)**	(1,829,834)
Financing activities			
Interest paid		**(634,795)**	(540,197)
Refund of issue costs of new shares		—	24,211
Repayment of borrowings		**(6,027,823)**	(5,377,795)
New borrowings raised		**5,306,893**	4,560,690
Proceeds from sale and lease back transactions		—	250,000
Repayment of finance lease obligations		**(60,035)**	(20,539)
Proceeds from bills discounted by the Group		**855,590**	891,649
Settlement from bills discounted by the Group		**(1,096,738)**	(939,960)
Proceeds from bills payables raised		**1,483,000**	1,716,550
Settlement of bills payables		**(1,723,000)**	(1,506,550)
Issuance of short-term debentures		**2,100,000**	1,000,000
Issuance of mid-term debentures		**800,000**	700,000
Issuance of long-term corporate bonds		**2,000,000**	—
Repayment of short-term debentures		**(1,000,000)**	(500,000)
Acquisition of mining rights		**(13,400)**	—
Net cash from financing activities		**1,989,692**	258,059
Increase in cash and cash equivalents		**462,624**	321,197
Cash and cash equivalents at beginning of year		**553,677**	232,480
Cash and cash equivalents at end of the year represented by cash and bank balances		**1,016,301**	553,677

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 53)

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 2013, the Group's current liabilities exceeded its current assets by RMB2,896,816,000. The Group's current liabilities mainly included trade and other payables, borrowings and debentures.

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

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

(i) Unused banking facilities of RMB1,954,040,000 in aggregate are available which have been obtained before 31 December 2013, which comprised of:

(a) a banking facility of RMB706,040,000 from the Bank of China which is available until 27 December 2014;

(b) a banking facility of RMB715,000,000 from the Construction Bank of China which is available until 25 September 2015;

(c) a banking facility of RMB210,000,000 from the Industry Commercial Bank of China which is available until 8 December 2014;

(d) a banking facility of RMB223,000,000 from the China Pingan Bank Company Limited which is available until 13 June 2014;

(e) a banking facility of RMB100,000,000 from the China Minsheng Bank Company Limited which is available until 7 September 2014.

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

(ii) During the year, 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 four tranches short term debentures in an aggregate amount of RMB2,100,000,000 with two years effective period. The Group issued these short term debentures which included:

(a) the 2013 first tranche of short term debentures of RMB600,000,000 issued on 1 February 2013 through the lead underwriter, China Guangfa Bank Company Limited carry interest of fixed rates of 4.77% with maturity of one year;

(b) the 2013 second tranche of short term debentures of RMB500,000,000 issued on 27 April 2013 through the lead underwriter, China Guangfa Bank Company Limited carry interest of fixed rates of 4.70% with maturity of one year;

(c) the 2013 third tranche of short term debentures of RMB500,000,000 issued on 21 May 2013 through the lead underwriter, China Minsheng Bank Company Limited carry interest of fixed rates of 4.64% with maturity of one year;

(d) the 2013 fourth tranche of short term debentures of RMB500,000,000 issued on 18 October 2013 through the lead underwriter, China Ever Bright Bank Company Limited carry interest of fixed rates of 6.60% with maturity of one year.

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 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 23 December 2013, the Company obtained approval from the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) to issue mid-term corporate bonds in an aggregate amount of RMB2,500,000,000 with two years effective period. The joint lead underwriters are Huaxia Bank Company Limited and CITIC Securities Company Limited. The Directors are of the view that the Group is able to identify investors and issue the mid-term corporate bonds in the first half of 2014.

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

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

The Group has applied the following new and revised IFRSs issued by the International Accounting Standards Board in the current year:

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

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

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to IAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding transitional guidance.

The impact of the application of these standards is set out below.

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

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

The Directors reviewed and assessed whether they have control over all the existing subsidiaries in accordance with the requirements of IFRS 10. The Directors concluded that there is no impact on the Group's control over the subsidiaries after the application of IFRS 10 and all the subsidiaries continue to be consolidated in the Group's consolidated financial statements.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

The Directors has concluded that the application of this standard will not have significant impact on the consolidated financial statements except for more extensive disclosure about its interests in other entities.

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of IFRS 13 is broad: the fair value measurement requirements of IFRS 13 apply to both financial instrument items and nonfinancial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application. In accordance with the transitional provisions of IFRS 13, the Group has not made any new disclosures required by IFRS13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

In addition, the Group has early adopted the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets in advance of its effective date which is 1 January 2014.

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

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The Group has applied the disclosure requirements set out in the amendments to IAS 36 in preparing the recoverable amount disclosures for non-financial assets.

Except for amendments to IAS36, the Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle [4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle [2]
IFRS 9	Financial Instruments [3]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures [3]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities [1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions [2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities [1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting [1]
IFRIC 21	Levies [1]

1 Effective for annual periods beginning on or after 1 January 2014.

2 Effective for annual periods beginning on or after 1 July 2014.

3 Available for application - the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, the amendments that are relevant to the Group are summarised below.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The Directors do not anticipate that the application of the amendments included in the Annual Improvements to IFRSs 2010-2012 Cycle 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)

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

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 Measurementare 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.

Since the Group has not applied hedge accounting, the new requirements for hedge accounting is not expected to have any impact on the Group's consolidated financial statements.

Based on an analysis of the Group's financial instrument as at 31 December 2013, the Directors anticipate that the adoption of IFRS 9 may not have significant impact on the Group's consolidated financial statements.

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

IFRIC 21 Levies

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

The Directors anticipate that the application of IFRIC 21 will have no significant effect on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs and on the historical cost basis.

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.

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

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

The principle accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation

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

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

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

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

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

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

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

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

Business combinations

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combinations (Cont'd)

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 date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment in an associate

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

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

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

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

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

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 recognised impairment loss, if any. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

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

Sale and leaseback transactions

When a sale and leaseback transaction results in a finance lease, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

Foreign currencies

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

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

Borrowing costs

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

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

Government grants

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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 profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised 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 recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to 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 recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 recognised 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 recognised immediately in profit or loss.

Financial assets

The Group's financial assets are loans and receivables.

Effective interest method

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

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

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

Impairment of loans and receivables

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

Objective evidence of impairment could include:

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities and equity instruments

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

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 recognised 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 debentures, mid-term debentures, long-term corporate bonds and borrowings are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

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

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

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Derecognition

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Provision for environmental restoration

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Depreciation of property, plant and equipment

As at 31 December 2013, the carrying amount of property, plant and equipment is RMB11,843,388,000 (2012: RMB11,062,558,000). 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 2013, the carrying amount of mining rights is RMB215,530,000 (2012: RMB219,536,000) 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.

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

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 2013, the carrying amount of goodwill is RMB161,480,000 (2012: RMB18,964,000) and no impairment loss has been provided.

Deferred tax assets

As at 31 December 2013, deferred tax assets of RMB50,780,000 (2012: RMB37,360,000) 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 2013, the carrying amount of trade receivables is RMB312,407,000 (net of allowance for doubtful debts of RMB26,163,000) (31 December 2012: RMB255,983,000 (net of allowance for doubtful debts of RMB25,952,000)).

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:

	2013	2012
	RMB'000	RMB'000
Sales of cement	7,996,211	6,729,918
Sales of clinker	664,955	860,979
	8,661,166	7,590,897

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	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Central China	6,273,968	5,533,443	648,052	790,831
Northeastern China	2,387,198	2,057,454	102,492	284,988
Total	8,661,166	7,590,897	750,544	1,075,819
Unallocated corporate administrative expenses			(21,221)	(48,768)
Profit before tax			729,323	1,027,051

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:

	2013 RMB'000	2012 RMB'000
SEGMENT ASSETS		
Central China	15,507,782	12,148,863
Northeast China	7,080,490	6,345,406
Total segment assets	22,588,272	18,494,269
Deferred tax assets	50,780	37,360
Other receivables	3,822	275
Deposits paid	—	20,270
Cash and bank balances	5,374	288,122
Total assets	22,648,248	18,840,296
SEGMENT LIABILITIES		
Central China	12,049,978	7,882,509
Northeast China	3,569,988	4,503,966
Total segment liabilities	15,619,966	12,386,475
Deferred tax liabilities	44,260	18,298
Tax liabilities	113,521	78,876
Other payables	—	13,187
Total liabilities	15,777,747	12,496,836

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

– all assets are allocated to reportable segments other than deferred tax assets, certain other receivables, deposits paid, and cash and 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 2013

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

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)

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 2013 and 2012.

8. OTHER INCOME AND OTHER GAINS AND LOSSES

	2013 RMB'000	2012 RMB'000
Value Added Tax refund	153,117	193,607
Incentive subsidies (Note)	56,501	88,940
Foreign exchange gain (loss), net	9,197	(803)
Interest on bank deposits	64,871	29,197
Interest on loan receivables, net of business tax	74,365	—
Rental income	2,018	664
Release of deferred income (Note 40)	7,261	5,501
Gain on sales of scrap	29,632	30,167
Gain on disposal of property, plant and equipment	2,336	1,803
Gain on disposal of available-for-sale investments	—	5
(Allowance) reversal for bad and doubtful debts	(211)	5,991
Others	1,639	21,772
	400,726	376,844

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

9. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest on:		
Bank borrowings wholly repayable within five years	351,349	404,132
Finance lease	14,859	19,285
Bills discounted with recourse	136,660	103,500
Short term debentures	78,675	62,447
Mid-term debentures	100,448	30,672
Long-term corporate bonds	125,792	—
Interest on other payables, including imputed interest	4,339	3,610
	812,122	623,646
Less: amounts capitalised	(60,015)	(53,623)
	752,107	570,023

The borrowing costs on general borrowing pool capitalized are calculated by applying capitalization rate of 6.86% per annum for the year ended 31 December 2013 (2012: 6.71% per annum).

10. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
PRC Enterprise Income Tax ("EIT")		
– current year	**257,780**	291,010
– under-provision in prior year	**2,009**	1,251
	259,789	292,261
Deferred tax (Note 39)	**(13,511)**	(27,999)
	246,278	264,262

No provision for Hong Kong taxation has been made during both years as the Group's income neither arisen nor is derived from Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "PRC EIT Law") and Implementation Regulation of the PRC EIT Law, the tax rate of the PRC subsidiaries is 25%.

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

	2013 RMB'000	2012 RMB'000
Profit before taxation	**729,323**	1,027,051
Tax at the applicable rate of 25%	**182,331**	256,763
Tax effect of expenses that are not deductible	**4,203**	5,383
Tax effect of tax losses not recognised	**60,983**	—
Utilisation of tax losses previously not recognised	**(1,553)**	(206)
Under-provision in prior years	**2,009**	1,251
Others	**(1,695)**	1,071
Income tax expenses for the year	**246,278**	264,262

11. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

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

	2013 RMB'000	2012 RMB'000
Depreciation of property, plant and equipment	698,996	579,124
Amortisation of prepaid lease payments	17,436	12,900
Amortisation of mining rights, included in cost of sales	13,163	12,822
Amortisation of other intangible assets, included in cost of sales	810	317
Total depreciation and amortisation	730,405	605,163
Cost of inventories recognised as an expense	6,766,176	5,692,139
Staff costs including retirement benefit	349,378	284,362
Auditor's remuneration	2,700	3,000

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

The emoluments paid or payable to each of the 9 (2012: 11) directors and the chief executive officer were as follows:

		2013				2012			
	Note	**Fee RMB'000**	**Salaries and other allowances RMB'000**	**Contributions to retirement benefits schemes RMB'000**	**Total emoluments RMB'000**	Fee RMB'000	Salaries and other allowances RMB'000	Contributions to retirement benefits schemes RMB'000	Total emoluments RMB'000
Executive directors									
Mr. Liu Wenying	vii	122	—	—	122	748	—	—	748
Mr. Yu Yagang	viii	122	—	—	122	748	—	—	748
Mr. Yang Yongzheng	ix	441	—	—	441	—	—	—	—
Mr. Xu Wuxue	x	438	—	—	438	—	—	—	—
Mr. Wang Delong	vi	438	—	—	438	—	—	—	—
		1,561	—	—	1,561	1,496	—	—	1,496
Non-executive directors									
Mr. Li Liufa		—	—	—	—	—	—	—	—
Mr. Tang Ming Chien		—	—	—	—	—	—	—	—
		—	—	—	—	—	—	—	—
Independent non-executive directors									
Mr. Wang Yanmou	i	—	—	—	—	81	—	—	81
Mr. Ma Chun Fung		189			189	195	—	—	195
Mr. Poon Chun Kwok	ii	—	—	—	—	195	—	—	195
Mr. Song Quanqi	iii	—	—	—	—	81	—	—	81
Mr. Kong Xiangzhong	iv	200	—	—	200	—	—	—	—
Mr. Wang Ping	v	189	—	—	189	—	—	—	—
		578	—	—	578	552	—	—	552
		2,139	—	—	2,139	2,048,	—	—	2,048

Mr. Li Heping resigned as executive director on 11 May 2013 and still appointed as the chief executive officer of the Company. His emolument includes a fee of RMB774,000 for the year ended 31 December 2013 (2012: RMB2,493,000).

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

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;

vi Mr. Wang Delong was appointed as executive director on 11 May 2013;

vii Mr. Liu Wenying resigned as executive director on 11 May 2013;

viii Mr. Yu Yagang resigned as executive director on 11 May 2013;

ix Mr. Yang Yongzheng was appointed as executive director on 11 May 2013;

x Mr. Xu Wuxue was appointed as executive director on 11 May 2013.

13. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals included three (2012: three) director and/or chief executive officer of the Company for the year (details of whose emoluments are set out in note 12 above), the emoluments of the remaining two (2012: two) highest paid individuals for the year were as follows:

	2013 RMB'000	2012 RMB'000
Salaries and other allowances	956	306
Performance related incentive payments	251	668
Retirement benefit scheme contribution	18	41
	1,225	1,015

The emolument of each of the above employees is below HK$1,000,000 (equivalent to approximately RMB786,230).

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 2013 and 2012.

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 2013 and 2012.

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:

	2013 RMB'000	2012 RMB'000
Earnings		
Profit for the year attributable to owners of the Company	**558,955**	783,393

	2013 '000	2012 '000
Number of shares		
Number of shares for the purpose of basic earnings per share (in thousands)	**2,400,900**	2,400,900
Effect of dilutive potential ordinary shares:		
Over-allotment options (in thousands)	**N/A**	526
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	**N/A**	2,401,426

No diluted earnings per share is presented for the current year as there is no potential ordinary shares outstanding.

15. DIVIDEND

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

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2012	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 subsidiary (Note 51)	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
Additions	47,349	80,509	4,951	11,712	881,608	1,026,129
Additions from acquisition of subsidiaries (Note 50)	276,532	150,276	17,402	768	14,348	459,326
Disposals	—	(4,998)	(15,976)	(525)	—	(21,499)
Transfer	196,401	270,274	—	—	(466,675)	—
At 31 December 2013	**6,187,005**	**7,531,506**	**117,419**	**95,594**	**940,717**	**14,872,241**
DEPRECIATION AND IMPAIRMENT						
At 1 January 2012	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
Provided for the year	192,002	485,346	18,282	3,366	—	698,996
Eliminated on disposals	—	(3,042)	(12,318)	(510)	—	(15,870)
At 31 December 2013	**796,603**	**2,077,939**	**70,584**	**83,727**	—	**3,028,853**
CARRYING AMOUNTS						
At 31 December 2012	5,062,122	5,439,810	46,422	2,768	511,436	11,062,558
At 31 December 2013	**5,390,402**	**5,453,567**	**46,835**	**11,867**	**940,717**	**11,843,388**

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

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

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 43.

The carrying amounts of buildings, which the application to obtain the ownership certificates is still in process, are approximately RMB909,097,000 as at 31 December 2013 (31 December 2012: RMB819,937,000).

The carrying amount of equipment, which are under finance lease arrangement, is approximately RMB306,682,000 as at 31 December 2013 (31 December 2012: RMB 336,804,000).

17. DEPOSITS PAID

	2013 RMB'000	2012 RMB'000
Deposits paid for acquiring property, plant and equipment, land use rights and mining rights	**542,278**	144,209
Deposits paid for acquisition of businesses (Note)	**749,692**	—
	1,291,970	144,209

Note: The deposits paid are for the purpose of acquisition of two cement-manufacturing entities operating in the PRC and to finance their expenditure on acquisition of production facilities. The acquisitions are expected to be completed in 2014.

18. PREPAID LEASE PAYMENTS

	Prepaid lease payments RMB'000
At 1 January 2012	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
Additions	1,407
Additions from acquisition of subsidiaries (Note 50)	115,350
Amortisation charged to profit or loss	(17,436)
At 31 December 2013	**810,676**

18. PREPAID LEASE PAYMENTS (Cont'd)

Analysis for reporting purposes as:

	2013	2012
	RMB'000	RMB'000
Current assets included in trade and other receivables (Note 25)	19,103	15,015
Non-current assets	791,573	696,340
	810,676	711,355

The carrying amounts of land use right, which the application to obtain the certificates is still in process, are approximately RMB143,430,000 as at 31 December 2013 (31 December 2012: RMB144,854,000).

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 43.

19. MINING RIGHTS

	Mining rights
	RMB'000
COST	
At 1 January 2012	260,917
Additions	9,825
At 31 December 2012	270,742
Additions	9,157
At 31 December 2013	279,899
ACCUMULATED AMORTISATION	
At 1 January 2012	38,384
Amortisation	12,822
At 31 December 2012	51,206
Amortisation	13,163
At 31 December 2013	64,369
CARRYING AMOUNTS	
At 31 December 2012	219,536
At 31 December 2013	215,530

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 43.

20. GOODWILL

For the purposes of impairment testing, goodwill has been allocated to eight (2012: three) cash generating units ("CGUs"), comprising ten (2012: three) subsidiaries. The carrying amounts of goodwill as at 31 December 2013 and 2012 allocated to these units are as follows:

	2013 RMB'000	2012 RMB'000
COST		
At 1 January	18,964	12,275
Arising on acquisition of subsidiaries (Note 50, 51)	142,516	6,689
At 31 December	161,480	18,964
CARRYING AMOUNTS		
At 31 December	161,480	18,964

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

	2013 RMB'000	2012 RMB'000
Weihui Shi Tianrui Cement Company Limited	10,502	10,502
Zhengzhou Tianrui Cement Company Limited	1,773	1,773
Pingdingshan Tianrui Yaodian Cement Company Limited	6,689	6,689
Liaoyang Tianrui Weiqi Cement Company Limited (遼陽天瑞威企水泥有限公司) ("Weiqi Cement")	33,422	—
Liaoyang Tianrui Chengxing Cement Company Limited (遼陽天瑞誠興水泥有限公司) ("Chengxing Cement")	13,628	—
Liaoning Liaota Group Cement Company Limited (遼寧遼塔集團水泥有限公司) ("Liaota Cement"); and Liaoning Liaodong Cement Group Company Limited (遼寧遼東水泥集團有限公司) ("Liaodong Cement"); and Dengta Liaota Cement Company Limited (燈塔市遼塔水泥有限公司) ("Dengta Cement") (Collectively referred to as the "Liaota Group")	29,284	—
Dalian Jinhaian Construction Material Gtoup Company Limited (大連金海岸建材集團有限公司) ("Jinhaian Construction Material")	49,558	—
Xinyang Golden Dragon Cement Company Limited (信陽金龍水泥有限公司) ("Jinlong Cement")	16,624	—
	161,480	18,964

20. GOODWILL (Cont'd)

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

The recoverable amounts of the relevant CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective subsidiary covering a one-year period with growth rates of 2% to 3% for the following 4 years and discount rate of 9.5% as at 31 December 2013 (31 December 2012: 9.0%), 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 2013 and 2012.

21. OTHER INTANGIBLE ASSTES

	Operating lease contracts RMB'000
COST	
At 6 September 2012 (Note 51) and 31 December 2013	9,353
ACCUMULATED AMORTISATION	
At 6 September 2012 and 31 December 2012	(317)
Amortisation	(810)
At 31 December 2013	**(1,127)**
CARRYING AMOUNTS	
At 31 December 2012	9,036
At 31 December 2013	**8,226**

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 values 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

	2013 RMB'000	2012 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 2013 is as follows:

Name of company	**Place and date of incorporation**	**Registered capital** RMB'000	**Proportion of ownership interest and voting right** %	**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 in the PRC

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

	2013 RMB'000	2012 RMB'000
Current assets	**145,287**	125,808
Non-current assets	**670,802**	647,207
Current liabilities	**1,101,881**	969,913

	2013 RMB'000	2012 RMB'000
Revenue	**379,490**	276,692
Loss and total comprehensive expense for the year	**88,894**	84,598

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

	2013 RMB'000	2012 RMB'000
Unrecognised share of loss of the associate for the year	**35,558**	33,839
Accumulated unrecognised share of loss of the associate	**114,317**	78,759

23. INVENTORIES

	2013 RMB'000	2012 RMB'000
Raw materials and consumables	1,052,268	781,624
Work-in-progress	18,788	7,740
Finished goods	240,861	350,868
	1,311,917	1,140,232

24. LOAN RECEIVABLES

	2013 RMB'000	2012 RMB'000
Fixed rate loan receivables		
– Principal of loan receivables	915,000	—
– Interest receivables	78,777	—
	993,777	—

Pursuant to certain loan agreements entered into during 2013, the Group has made loans to independent third parties amounting to RMB915,000,000 (2012: Nil). According to the loan agreements, the loans are unsecured, due within one year and carry fixed interest rate from 10% to 15% per annum.

25. TRADE AND OTHER RECEIVABLES

	2013 RMB'000	2012 RMB'000
Trade receivables	338,570	281,935
Less: allowances for bad and doubtful debts	(26,163)	(25,952)
	312,407	255,983
Bills receivables	374,087	491,327
Advance to suppliers	1,906,336	1,403,769
Value Added Tax refund receivables	—	58,816
Prepayment for various tax	69,558	94,202
Prepaid lease payments (Note 18)	19,103	15,015
Other receivables	140,608	135,410
	2,822,099	2,454,522

Bills receivables amounted to RMB162,689,000 as at 31 December 2013 (31 December 2012: RMB422,949,000) 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.

25. TRADE AND OTHER RECEIVABLES (Cont'd)

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:

	2013 RMB'000	2012 RMB'000
Within 90 days	279,107	510,523
91-180 days	366,216	175,261
181-360 days	26,114	51,282
Over 1 year	15,057	10,244
Total	686,494	747,310

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 RMB41,171,000 which are past due as at 31 December 2013 (31 December 2012: RMB61,526,000) for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. No allowance has been provided for those balances as the Group considers that there is no significant change in the credit quality of those customers from the date credit was initially granted up to the end of the reporting period.

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

Past due for:	2013 RMB'000	2012 RMB'000
0-180 days	26,114	51,282
Over 180 days	15,057	10,244
Total	41,171	61,526

25. TRADE AND OTHER RECEIVABLES (Cont'd)

Movement in the allowance for bad and doubtful debts

	2013 RMB'000	2012 RMB'000
Balance at beginning of the year	25,952	33,301
Provided (reversed) for the year	211	(5,991)
Write-off for the year	—	(1,358)
Balance at the end of the year	26,163	25,952

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of RMB26,163,000 (31 December 2012: RMB25,952,000) which was considered as uncollectable. The Group does not hold any collateral over these balances.

Details of bills receivables pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 43.

26. TRANFERS OF FINANCIAL ASSETS

As at 31 December 2013, bills receivables with carrying amount of RMB162,689,000 (31 December 2012: 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 RMB141,190,000 (31 December 2012: 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.

27. AMOUNTS DUE FROM A RELATED PARTY

	2013 RMB'000	2012 RMB'000
Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	—	3,989

The amount as at 31 December 2012 represents the advance payment to the related party for the purchase of goods.

28. PLEDGED BANK BALANCES

As at 31 December 2013, pledged bank balances represent deposits pledged to banks for (i) securing bank borrowings granted to the Group amounting to RMB355,000,000 (details disclosed in Note 43), and (ii) issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB1,786,207,000.

As at 31 December 2012, pledged bank balances represent deposits pledged to banks for (i) securing bank borrowings granted to the Group amounting to RMB310,000,000 (details disclosed in Note 43), and (ii) issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB2,189,873,000.

The pledged bank balances carry market interest rate of 2.60% to 4.25% per annum as at 31 December 2013 (31 December 2012: 2.80% 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 2013, bank balances carry interest at market rates of 0.01% and 0.35% per annum (31 December 2012: 0.01% and 0.5% per annum).

30. TRADE AND OTHER PAYABLES

	2013 RMB'000	2012 RMB'000
Trade payables	1,978,244	1,752,503
Bills payables	1,533,000	1,757,000
Construction cost and retention payable	330,625	388,229
Advances from customers	228,623	181,083
Other tax payables	83,251	62,617
Other payables - current (Note 38)	9,518	18,514
Payables for mining rights	8,300	8,300
Accrued interest	244,965	83,449
Other payables and accrued expenses	187,763	131,148
	4,604,289	4,382,843

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:

	2013 RMB'000	2012 RMB'000
Within 90 days	2,081,685	1,889,559
91-180 days	1,352,479	1,566,530
181-365 days	102,746	39,897
Over 1 year	39,334	13,517
Total	3,576,244	3,509,503

31. AMOUNTS DUE TO A RELATED PARTY

	2013 RMB'000	2012 RMB'000
Trade in nature	30,934	—
Non-trade in nature	500	500
	31,434	500

Trade in nature

	Note	2013 RMB'000	2012 RMB'000
Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	30,934	—

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 goods receipt date as at the end of each reporting period is as follows:

	2013 RMB'000	2012 RMB'000
Within 90 days	30,934	—

Non-trade in nature

	Note	2013 RMB'000	2012 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 DEBENTURES

	2013 RMB'000	2012 RMB'000
Short term debentures	2,100,000	1,000,000

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

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

33. BORROWINGS

	2013 RMB'000	2012 RMB'000
Bank borrowings		
– fixed-rate (i)	**2,438,000**	2,407,700
– variable-rate (ii, iii)	**2,096,668**	2,773,865
	4,534,668	5,181,565
Bank borrowing relating to bills discounted with recourse (iv) (Note 26)	**141,190**	382,338
	4,675,858	5,563,903
Secured	**3,035,656**	2,236,075
Unsecured	**1,640,202**	3,327,828
	4,675,858	5,563,903

The borrowings are repayable as follows:

	2013 RMB'000	2012 RMB'000
On demand or within one year	**3,975,858**	4,902,903
More than one year, but not exceeding two years	**600,000**	476,000
More than two years, but not exceeding five years	**100,000**	185,000
	4,675,858	5,563,903
Less: Amount due within one year shown under current liabilities (v)	**(3,975,858)**	(4,902,903)
Amount due after one year	**700,000**	661,000

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

33. BORROWINGS (Cont'd)

Note:

i As at 31 December 2013, the fixed-rate borrowings carry interests ranged from 2.65% to 11.99% per annum (31 December 2012: from 5.80% to 11.99% per annum).

ii As at 31 December 2013, the variable-rate borrowings carry interests ranged from 2.15% to 7.80% per annum (31 December 2012: from 3.60% to 8.53% per annum).

iii As at 31 December 2013, the interest rate of US Dollar variable-rate loans, amounting to RMB668,667,000 (31 December 2012: RMB287,080,000) is determined based on London Interbank Offered Rate ("LIBOR") plus from 1.90% to 2.75% (2012: LIBOR plus 2.75%), and interest rate of remaining RMB variable-rate loans is determined based on the Benchmark Interest Rate announced by the People's Bank of China.

iv As at 31 December 2013, the amounts represented bills receivables which received from customers discounted to various banks with full recourse. The discounted bills carried fixed interests ranging from 5.20% to 7.90% per annum (31 December 2012: from 3.35% to 10.58% per annum).

v In respect of the loans with the carrying amounts of RMB40,000,000 as at 31 December 2012 (31 December 2013: Nil) 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, respectively.

Details of assets pledged to secure bank borrowings are set out in Note 43.

34. OBLIGATIONS UNDER FINANCE LEASES

	At 31 December 2013 RMB'000	At 31 December 2012 RMB'000
Analyzed for reporting purposes as:		
Current liabilities	**48,305**	45,175
Non-current liabilities	**135,980**	184,286
	184,285	229,461

The Group has entered into sale and leaseback transactions which give rise to finance leases. The lease assets, including plant and equipment, were continued to be recognised as property, plant and equipment of the Group. The average lease term is 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 6.72% to 7.25% per annum (31 December 2012: from 6.72% to 7.25% per annum).

34. OBLIGATIONS UNDER FINANCE LEASES (Cont'd)

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2013	31/12/2012	**31/12/2013**	31/12/2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases				
Within one year	**60,061**	60,035	**48,305**	45,175
In more than one year but not more than two years	**60,061**	60,061	**51,654**	48,306
In more than two years but not more than five years	**90,090**	150,151	**84,326**	135,980
	210,212	270,247	**184,285**	229,461
Less: future finance charges	**(25,927)**	(40,786)	**N/A**	N/A
Present value of lease obligations	**184,285**	229,461	**184,285**	229,461
Less: Amount due for settlement with 12 months (shown under current liabilities)			**(48,305)**	(45,175)
Amount due for settlement after 12 months			**135,980**	184,286

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

35. FINANCIAL GUARANTEE CONTRACTS

	2013	2012
	RMB'000	RMB'000
Financial guarantee contracts	**8,710**	—

As at 31 December 2013, the Group provided financial guarantee to banks in respect of bank facilities utilised by Tianrui Group Yunyang Foundry Company Limited (天瑞集團雲陽鑄造有限公司) and Ruzhou Tianrui Coking Company Limited (汝州天瑞煤焦化有限公司), two subsidiaries of Tianrui Group Company Limited ("Tianrui Group"), controlled by Mr. Li Liufa, a non-executive director of the Company, amounted to RMB250,000,000 and RMB522,000,000, for a period of 5 years and 7 years respectively.

The fair value of financial guarantee contracts at initial recognition is calculated using the guarantee fee rate estimated by reference to the probability of default of the recipients.

36. MID-TERM DEBENTURES

	2013 RMB'000	2012 RMB'000
Mid-term debentures	**1,800,000**	1,000,000
Less: Amount due within one year	**(300,000)**	—
Amount due after one year	**1,500,000**	1,000,000

The amounts as at 31 December 2013 represented the issuance of mid-term debentures of RMB300,000,000 on 6 December 2011, RMB200,000,000 on 9 May 2012, RMB500,000,000 on 18 September 2012, RMB400,000,000 on 2 April 2013 and RMB400,000,000 on 8 August 2013 with maturity of three years, carrying fixed interest rate at 8.4%, 5.8%, 5.9%, 7.0% and 7.0% per annum respectively.

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

37. LONG-TERM CORPORATE BONDS

	2013 RMB'000	2012 RMB'000
Long-term corporate bonds	**2,000,000**	—

The amounts as at 31 December 2013 represented the issuance of long-term corporate bonds in an aggregate principal amount RMB2,000,000,000 on 6 February 2013, with a term of five years and a rate of 7.10% per annum, with an option to further extend for three years subject to the approval of the bondholders. This long-term corporate bonds were issued through the lead underwriter, HUAXI Securities Co., Ltd (華西證券有限責任公司), to non-specific buyers. This long-term corporate bonds are jointly and severally guaranteed by two subsidiaries of Tianrui Group, namely Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司) ("Tianrui Foundry") and Tianrui Group Travel Development Company Limited (天瑞集團旅遊發展有限公司) ("Tianrui Travel"). The guarantees have been provided at no cost to the Group.

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

38. OTHER PAYABLES

	2013 RMB'000	2012 RMB'000
Acquisition of mining rights	**26,318**	38,764
Less: Amount due within one year shown under trade and other payables (Note 30)	**(9,518)**	(18,514)
	16,800	20,250

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.

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

39. DEFERRED TAXATION

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

	Allowance on inventories and trade and other receivables	Property, plant, equipment and prepaid lease payments	Imputed interest on other payables	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (note)	RMB'000
At 1 January 2012	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
Credit (charge) to profit or loss for the year	(761)	1,558	238	6,420	6,056	13,511
Acquisition of subsidiaries (note 50)	—	(26,053)	—	—	—	(26,053)
At 31 December 2013	**7,657**	**(49,420)**	**(246)**	**25,580**	**22,949**	**6,520**

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

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

	2013	2012
	RMB'000	RMB'000
Deferred tax assets	**50,780**	37,360
Deferred tax liabilities	**(44,260)**	(18,298)
	6,520	19,062

39. DEFERRED TAXATION (Cont'd)

At 31 December 2013, the Group has unused tax losses of approximately RMB353,185,000 (31 December 2012: RMB89,785,000) available for offset against future profits. A deferred tax asset has been recongnized in respect of RMB102,320,000 (31 December 2012: RMB76,640,000) of such losses. No deferred tax assets has been recognised in respect of the remaining RMB250,865,000 (31 December 2012: RMB13,145,000) due to the unpredictability of future profit streams in respective subsidiaries. The unrecognised tax loss will be expired as follows:

	2013 RMB'000	2012 RMB'000
2015	—	1,965
2016	6,933	11,180
2017	70,749	—
2018	173,183	—
	250,865	13,145

Under the PRC EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profit of the PRC subsidiaries amounting to RMB4,083,291,000 as at 31 December 2013 (31 December 2012: RMB3,528,138,000) 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.

40. DEFERRED INCOME

	2013 RMB'000	2012 RMB'000
Assets-related government grants	183,960	191,221

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 RMB7,261,000 was released to "other income and other gains and losses" during the year ended 31 December 2013 (2012: RMB5,501,000).

41. PROVISION FOR ENVIRONMENTAL RESTORATION

	Environmental restoration RMB'000
At 1 January 2012	9,409
Provision for the year	2,075
At 31 December 2012	11,484
Provision for the year	3,146
At 31 December 2013	**14,630**

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

42. SHARE CAPITAL

The Company	**Number of shares**	**Share capital**	
		HK$'000	RMB'000
Ordinary share of HK$0.01 each:			
As at 1 January 2012, 31 December 2012 and 2013	10,000,000,000	100,000	81,070
Issued			
As at 1 January 2012, 31 December 2012 and 2013	2,400,900,000	24,009	19,505

43. 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:

	2013 RMB'000	2012 RMB'000
Property, plant and equipment	**2,124,013**	1,611,588
Prepaid lease payments	**140,136**	209,842
Mining rights	**68,413**	111,935
Bills receivables	**162,689**	422,949
Pledged bank balances	**355,000**	310,000
	2,850,251	2,666,314

43. PLEDGE OF ASSETS (Cont'd)

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) to secure the short-term US Dollar variable-rate loans amounting to RMB393,965,000 as at 31 December 2013.

44. CAPITAL COMMITMENTS

	2013 RMB'000	2012 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	**398,027**	415,127
– authorized but not contracted for	**166,510**	178,900

The final consideration arrangements on acquisition of business are subject to negotiation between the Group and the vendors.

45. OPERATING LEASE COMMITMENTS

The Group as lessee

The rental payment paid for the year ended 31 December 2013 amounted to approximately RMB16,979,150 (2012: RMB17,709,190) respectively are paid for certain of its land, office properties and mines.

As at 31 December 2013, the Group had commitments for future minimum lease payments in respect of rented land, office properties and mines which fall due as follows:

	2013 RMB'000	2012 RMB'000
Within one year	**15,801**	17,521
In the second to fifth year inclusive	**44,800**	58,800
Over fifth year inclusive	**7,643**	8,517
	68,244	84,838

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 17 years and rental are fixed throughout the lease term.

45. OPERATING LEASE COMMITMENTS (Cont'd)

The Group as lessor

The rental income earned for the year ended 31 December 2013 amounted to approximately RMB2,018,000 (2012: RMB664,000) respectively are generated from rental of certain plant and machinery.

As at 31 December 2013, the Group had contracted with tenants for the following future minimum lease payments:

	2013 RMB'000	2012 RMB'000
Within one year	**1,350**	—

46. 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 2013, amounts to RMB23,768,000 (2012: RMB22,309,000).

47. RELATED PARTY DISCLOSURES

(a) Apart from the amounts due from/to a related party as disclosed in Notes 27 and 31, and guarantees provided by the Group to related parties and guarantees provided by the related parties to the Group as disclosed in Notes 35 and 37, during the year, the Group had the following significant transactions with the related parties.

Nature of transaction	Name of related company	Notes	2013 RMB'000	2012 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	**171,735**	29,433
Office rental expenses	Tianrui Group Company Limited (天瑞集團有限公司)	ii	**1,800**	1,800
Sales of goods	Ruzhou Tianrui Coking Company Limited (汝州天瑞煤焦化有限公司)	iii	—	3,423
Provide financial guarantee	Tianrui Group Yunyang Foundry Company Limited (天瑞集團雲陽鑄造有限公司)	iii	**250,000**	—
	Ruzhou Tianrui Coking Company Limited (汝州天瑞煤焦化有限公司)	iii	**522,000**	—
			772,000	—

47. RELATED PARTY DISCLOSURES (Cont'd)

(a) (Cont'd)

Notes:

i. An associate of the Group;

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

iii. Subsidiaries of Tianrui Group.

(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:

	2013 RMB'000	2012 RMB'000
Short-term benefits	6,665	8,324
Retirement benefits	173	155
	6,838	8,479

48. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the short term debentures, borrowings, mid-term debentures, long- term corporate bonds (details refer to Notes 32, 33, 36 and 37), and equity attributable to owners of the Company, comprising share capital and reserves and retained earnings.

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

49. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2013 RMB'000	2012 RMB'000
Financial assets		
Loans and receivables (including pledged bank balances and cash and bank balances)	4,940,085	3,940,261
Financial liabilities		
Amortised cost	14,916,507	11,723,796
Obligations under finance lease	184,285	229,461
Financial guarantee contract	8,710	—

Financial risk management objectives and policies

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

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to payables, short term debentures, fixed-rate borrowings, obligations under finance leases, mid-term debentures, long-term corporate bonds and payables for mining rights (see Note 32, 33, 34, 36, 37 and 38 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 2013 and 2012.

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

49. 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 bank balances and variable-rate borrowings, 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, bank deposit interest rate and Benchmark Interest Rate, as appropriate, 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 decreased/increased by approximately RMB2,259,000 (2012: decreased/increased RMB873,000) and the amount of borrowing costs capitalized in respect of the Group's qualifying assets would be increased/decreased by approximately RMB360,000 for the year ended 31 December 2013 (2012: RMB465,000).

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:

	2013 RMB'000	2012 RMB'000
Assets		
HK Dollar	7,426	20,543
US Dollar	4,272	288,187
	11,698	308,730
Liabilities		
US Dollar	668,667	287,080

49. 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 2013. 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.

	2013 RMB'000	2012 RMB'000
Post-tax profit (loss) for the year	27,971	(1,082)

Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 52.

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

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

The Group is exposed to the concentration of credit risk in relation to loans receivables (Note 24). The Group will monitor the level of exposure to ensure that follow up actions and/or corrective actions are taken promptly to lower the risk exposure.

49. FINANCIAL INSTRUMENTS (Cont'd)

Credit risk (Cont'd)

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

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings. When there is non-compliance with loan covenants, the management would liaise with lenders and follow up actions were taken promptly as appropriate to ensure sufficient liquidity is available if the lender demanded immediate repayment. As at 31 December 2012, in respect of loans with carrying amount of RMB40,000,000, the Group breached certain terms of the loans (2013: Nil).

As at 31 December 2013, five unused banking facilities of RMB1,954,040,000 in aggregate are available, which comprised of: (a) a banking facility of RMB706,040,000 from the Bank of China which is available until 27 December 2014, (b) a banking facility of RMB715,000,000 from the Construction Bank of China which is available until 25 September 2015, (c) a banking facility of RMB210,000,000 from the Industry Commercial Bank of China which is available until 8 December 2014, (d) a banking facility of RMB223,000,000 from the China Pingan Bank Company Limited which is available until 13 June 2014 and (e) a banking facility of RMB100,000,000 from the China Minsheng Bank Company Limited which is available until 7 September 2014. None of the banking facilities of RMB1,954,040,000 has been utilized date of this report.

The Group has net current liabilities as at 31 December 2013, 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 2013: Nil), of which the loan covenants are breached are included in "On demand" time band.

49. 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 2013									
Trade and other payables	—	**773,037**	**3,208,981**	**300,879**	—	—	—	**4,282,897**	**4,282,897**
Amounts due to a related party	—	—	**31,434**	—	—	—	—	**31,434**	**31,434**
Borrowings									
– fixed-rate	**6.96**	**339,990**	**577,389**	**1,341,514**	**553,065**	**118,307**	—	**2,930,265**	**2,579,190**
– variable-rate	**5.19**	**244,000**	**642,220**	**1,162,177**	**107,877**	—	—	**2,156,274**	**2,096,668**
Other payables - fixed rate	**7.3**	**6,050**	—	**4,000**	**9,336**	—	**10,749**	**30,135**	**26,318**
Short term debentures	**5.16**	—	**1,622,270**	**527,500**	—	—	—	**2,149,770**	**2,100,000**
Mid-term debentures	**6.79**	—	—	**325,200**	**769,391**	**942,850**	—	**2,037,441**	**1,800,000**
Long-term corporate bonds	**7.1**	—	—	—	—	—	**3,269,800**	**3,269,800**	**2,000,000**
Obligation under finance lease	**6.72**	**30,030**	—	**30,031**	**60,061**	**60,060**	**30,030**	**210,212**	**184,285**
		1,393,107	**6,082,294**	**3,691,301**	**1,499,730**	**1,121,217**	**3,310,579**	**17,098,228**	**15,100,792**
Financial guarantee liabilities	—	**798,500**	—	—	—	—	—	**798,500**	**8,710**
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
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 debentures	6.8	500,000	506,438	—	—	—	—	1,006,438	1,000,000
Mid-term debentures	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
		1,682,744	4,689,431	3,935,943	925,467	1,057,614	140,420	12,431,619	11,953,257
Financial guarantee liabilities	—	40,000	—	—	—	—	—	40,000	—

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

50. ACQUISITION OF SUBSIDIARIES IN CURRENT YEAR

(a) On 6 March 2013, the Group acquired 100% of the equity interest Weiqi Cement from two independent third parties for a consideration of RMB111,615,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB33,422,000. Weiqi Cement is engaged in the manufacture and sale of cement.

(b) On 24 March 2013, the Group acquired 70% of the equity interest of Chengxing Cement from two independent third parties for a consideration of RMB86,300,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB13,628,000. Chengxing Cement is engaged in the manufacture and sale of cement.

(c) The Group acquired 100% of the equity interest of Liaota Group from four independent third parties for a total consideration of RMB351,369,000 , of which RMB246,576,000 for Liaota Cement, RMB58,493,000 for Liaodong Cement and RMB46,300,000 for Dengta Cement. The acquisitions for Liaota Cement, Liaodong Cement and Dengta Cement were completed on 10 May 2013, 19 July 2013 and 19 July 2013 respectively. The acquisitions have been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisitions was RMB29,284,000. Liaota Group is engaged in the manufacture and sale of clinker and cement.

(d) On 8 August 2013, the Group acquired 70% of the equity interest of Jinlong Cement from two independent third parties for a consideration of RMB66,933,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB16,624,000. Jinlong Cement is engaged in the manufacture and sale of cement.

(e) On 10 October 2013, the Group acquired 100% of the equity interest of Jinhaian Construction Material from two independent third parties for a consideration of RMB61,413,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB49,558,000. Jinhaian Construction Material is engaged in the manufacture and sale of cement.

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

50. ACQUISITION OF SUBSIDIARIES IN CURRENT YEAR (Cont'd)

	Weiqi Cement RMB'000	Chengxing Cement RMB'000	Liaota Group RMB'000	Jinlong Cement RMB'000	Jinhaian Construction Material RMB'000	Total RMB'000
Consideration transferred:						
Total consideration satisfied by						
Cash consideration paid	110,115	86,300	351,369	54,600	60,413	662,797
Payables due within 1 year	1,500	—	—	12,333	1,000	14,833
	111,615	86,300	351,369	66,933	61,413	677,630
Assets acquired and liabilities recognised at the date of acquisition are as follows:						
Net assets acquired:						
Property, plant and equipment	59,876	100,405	219,622	63,336	16,087	459,326
Prepaid lease payments	19,228	21,379	55,715	11,652	7,376	115,350
Inventories	9,648	9,882	17,333	13,611	6,328	56,802
Trade and other receivables	46,598	38,963	73,661	4,024	30,011	193,257
Cash and bank balances	46,375	18,335	12,854	4,866	5,051	87,481
Trade and other payables	(92,924)	(64,223)	(30,540)	(6,963)	(17,283)	(211,933)
Borrowings	—	(14,000)	(24,000)	(16,000)	(32,410)	(86,410)
Deferred tax liabilities	(10,608)	(6,924)	(2,560)	(2,656)	(3,305)	(26,053)
	78,193	103,817	322,085	71,870	11,855	587,820
Goodwill arising on acquisition:						
Consideration transferred	111,615	86,300	351,369	66,933	61,413	677,630
Plus: non-controlling interests	—	31,145	—	21,561	—	52,706
Less: net assets acquired	(78,193)	(103,817)	(322,085)	(71,870)	(11,855)	(587,820)
Goodwill	33,422	13,628	29,284	16,624	49,558	142,516
Net cash outflow on acquisition:						
Net cash outflow arising on acquisition						
Cash consideration paid	(110,115)	(86,300)	(351,369)	(54,600)	(60,413)	(662,797)
Cash and cash equivalents acquired	46,375	18,335	12,854	4,866	5,051	87,481
	(63,740)	(67,965)	(338,515)	(49,734)	(55,362)	(575,316)

The fair value of trade and other receivables at the date of acquisition amounted to RMB193,257,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB193,257,000 at the date of acquisition.

Included in the profit for the year is RMB41 million attributable to the additional business generated by these acquired entities.

50. ACQUISITION OF SUBSIDIARIES IN CURRENT YEAR (Cont'd)

Revenue for the year includes RMB615 million generated from these acquired entities. Had the acquisition been completed on 1 January 2013, total group revenue for the year would have been RMB8,730 million, and profit for the year would have been RMB485 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 2013, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had these entities acquired at the beginning of the year 2013, the Directors have calculated depreciation of plant and equipment 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.

51. ACQUISITION OF A SUBSIDIARY IN YEAR 2012

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
Cash and bank balances	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.

51. ACQUISITION OF A SUBSIDIARY IN YEAR 2012 (Cont'd)

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 recognised 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.

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 2012 is a loss RMB7 million attributable to the additional business generated by Yaodian Cement.

Revenue for the year 2012 includes RMB58.30 million generated from Yaodian Cement. Had the acquisition been completed on 1 January 2012, total group revenue for the year 2012 would have been RMB7,669 million, and profit for the year 2012 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 year 2012, 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.

52. CONTINGENT LIABILITIES

	2013 RMB'000	2012 RMB'000
Guarantees given to banks in respect of banking facilities granted to:		
Related parties	772,000	—
Third party	26,500	40,000
	798,500	40,000

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

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) The Company has the following subsidiaries:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power 2013 %	2012 %	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

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

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

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power 2013 %	2012 %	Principal activities
Subsidiaries (Cont'd)					
Tianrui Group Zhoukou Cement Company Limited 天瑞集團周口水泥有限公司*	The PRC 10 September 2003	RMB81,000,000	100	100	Manufacture and sale of cement
Shangqiu Tianrui Cement Company Limited 商丘天瑞水泥有限公司*	The PRC 9 June 2004	RMB63,000,000	100	100	Manufacture and sale of cement
Zhengzhou Tianrui Cement Company Limited 鄭州天瑞水泥有限公司*	The PRC 17 June 2004	RMB55,000,000	100	100	Manufacture and sale of cement
Tianrui Group Yuzhou Cement Company Limited 天瑞集團禹州水泥有限公司*	The PRC 4 August 2004	RMB250,000,000	100	100	Manufacture and sale of cement and clinker
Dalian Tianrui Cement Company Limited 大連天瑞水泥有限公司*	The PRC 8 December 2004	RMB350,000,000	100	100	Manufacture and sale of cement and clinker
Yingkou Tianrui Cement Company Limited 營口天瑞水泥有限公司*	The PRC 4 July 2006	RMB111,300,000	100	100	Manufacture and sale of cement
Tianrui Group Nanzhao Cement Company Limited 天瑞集團南召水泥有限公司*	The PRC 23 January2007	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

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

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

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power 2013 %	2012 %	Principal activities
Subsidiaries (Cont'd)					
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 平頂山天瑞姚電水泥有限公司*	The PRC 17 June 2009	RMB20,000,000	91	91	Manufacture and sale of cement
Liaoyang Tianrui Weiqi Cement Company Limited 遼陽天瑞威企水泥有限公司* (原"遼寧恒威集團威企水泥有限公司")	The PRC 22 June 2006	RMB39,000,000	100	—	Manufacture and sale of cement
Liaoyang Tianrui Chengxing Cement Company Limited 遼陽天瑞誠興水泥有限公司* (原"遼陽市誠興水泥製造有限公司")	The PRC 18 May 2006	RMB20,000,000	70	—	Manufacture and sale of cement
Liaoning Liata Group Cement Company Limited 遼寧遼塔集團水泥有限公司*	The PRC 24 July 2007	RMB205,000,000	100	—	Manufacture and sale of cement and clinker
Liaoning Liaodong Cement Group Company Limited 遼寧遼東水泥集團有限公司*	The PRC 28 February 2003	RMB10,000,000	100	—	Manufacture and sale of cement
Dengta Liaota Cement Company Limited 燈塔市遼塔水泥有限公司*	The PRC 22 February 2000	RMB500,000	100	—	Manufacture and sale of cement
Dalian Jinhaian Construction Material Group Company Limited 大連金海岸建材集團有限公司*	The PRC 19 December 2002	RMB45,000,000	100	—	Manufacture and sale of cement
Xinyang Jinlong Cement Company Limited 信陽金龍水泥有限責任公司*	The PRC 27 December 2000	RMB18,000,000	70	—	Manufacture and sale of cement

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

(a) The Company has the following subsidiaries: (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 RMB2.1 billion of short term debentures (2012: RMB1billion), RMB1.8 billion of mid-term debentures (2012: RMB1 billion), and RMB2 billions of long-term corporate bonds (2012: nil).

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

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

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
				RMB'000	RMB'000	RMB'000	RMB'000
Tianjin Tianrui Cement Company Limited 天津天瑞水泥有限公司	The PRC	40%	40%	(77,715)	(19,970)	(59,508)	18,206
Individually immaterial subsidiaries with non-controlling interests						56,200	1,690
						(3,308)	19,896

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

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

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

Tianjin Tianrui Cement Company Limited

天津天瑞水泥有限公司

	2013 RMB'000	2012 RMB'000
Current assets	42,550	69,982
Non-current assets	640,868	688,139
Current liabilities	(756,186)	(667,223)
Non-current liabilities	(76,003)	(45,383)
Accumulated deficits	148,771	45,515

	2013 RMB'000	2012 RMB'000
Revenue	125,094	42,135
Expenses	319,380	92,059
Loss and total comprehensive expense for the year	(194,286)	(49,924)
Net cash (outflow) inflow from operating activities	(7,641)	(41,516)
Net cash (used in) from investing activities	(1,031)	(37,579)
Net cash from (used in) financing activities	8,700	78,654
Net cash inflow	28	(441)

54. FINANCIAL INFORMATION OF THE COMPANY

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

	At 31 December 2013 RMB'000	2012 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary (note)	**1,257,927**	1,257,927
Equipment	**245**	—
Deposits paid	**298,287**	—
TOTAL NON-CURRENT ASSETS	**1,556,459**	1,257,927
CURRENT ASSET		
Other receivables	**6,092**	21,069
Cash and bank balances	**5,355**	288,104
TOTAL CURRENT ASSETS	**11,447**	309,173
CURRENT LIABILITIES		
Borrowings - due within one year	**278,466**	287,080
Amounts due to a subsidiary	**44,562**	33,566
TOTAL CURRENT LIABILITIES	**323,028**	320,646
NET CURRENT LIABILITIES	**(311,581)**	(11,473)
TOTAL ASSETS LESS CURRENT LIABILITIES, NET ASSETS	**1,244,878**	1,246,454
CAPITAL AND RESERVES		
Share capital (Note 42)	**19,505**	19,505
Reserves	**1,225,373**	1,226,949
TOTAL EQUITY	**1,244,878**	1,246,454

Note: The investment is unlisted equity investment.

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

Movement in reserves

	Share premium RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2012	1,251,325	(30,750)	1,220,575
Loss and total comprehensive expense 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
Loss and total comprehensive expense for the year	—	(1,576)	(1,576)
At 31 December 2013	**1,275,536**	**(50,163)**	**1,225,373**

5-YEAR FINANCIAL SUMMARY

FINANCIAL SUMMARY – IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**8,661,166**	7,590,897	8,263,395	6,129,438	4,415,224
Profit before tax	**729,323**	1,027,051	1,686,553	526,704	245,040
Income tax expense	**(246,278)**	(264,262)	(413,365)	(128,917)	(81,779)
Profit for the year	**483,045**	762,789	1,273,188	397,787	163,261
Attributable to:					
Owners of the Company	**558,955**	783,393	1,274,538	396,833	162,738
Non-controlling interests	**(75,910)**	(20,604)	(1,350)	954	523
	483,045	762,789	1,273,188	397,787	163,261

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**22,648,248**	18,840,296	17,237,845	13,682,166	10,609,307
Total liabilities	**(15,777,747)**	(12,496,836)	(11,683,235)	(10,146,054)	(7,467,982)
Total equity	**6,870,501**	6,343,460	5,554,610	3,536,112	3,141,325
Attributable to:					
Owners of the Company	**6,873,809**	6,323,564	5,515,960	3,536,112	3,135,848
Non-controlling interests	**(3,308)**	19,896	38,650	—	5,477
	6,870,501	6,343,460	5,554,610	3,536,112	3,141,325

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