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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2013	**2012**
	RMB'000	*RMB'000*
Revenue	3,722,302	3,708,491
Gross profit	803,205	910,548
Gross profit margin	21.6%	24.6%
Profit	276,500	395,134
Profitability	7.4%	10.7%
EBITDA	1,046,347	1,117,849
Profit attributable to owners of the Company	283,258	401,536
Basic earnings per share (RMB)	0.12	0.17

	At 30 June 2013	**At 31 December 2012**
	RMB'000	*RMB'000*
Total assets	20,723,358	18,840,296
Total liabilities	13,989,360	12,496,836
Equity attributable to owners of the Company	6,606,822	6,323,564

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Tianrui Group Cement Company Limited (the "**Company**") announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**", "**our Group**", "**our**" or "**we**") for the six-month period ended 30 June 2013, together with the comparative figures for the six-month period ended 30 June 2012, as follows:

Condensed Consolidated Statement of Comprehensive Income

	Notes	**Six months ended 30 June 2013** *RMB'000 (unaudited)*	**2012** *RMB'000 (unaudited)*
Revenue	4, 5	3,722,302	3,708,491
Cost of sales		(2,919,097)	(2,797,943)
Gross profit		803,205	910,548
Other income		209,753	188,333
Selling and distribution expenses		(150,219)	(117,226)
Administrative expenses		(131,736)	(152,492)
Other expenses		(7,828)	(1,761)
Finance costs	6	(342,015)	(302,718)
Profit before tax		381,160	524,684
Income tax expense	7	(104,660)	(129,550)
Profit and total comprehensive income for the period	8	276,500	395,134
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		283,258	401,536
Non-controlling interests		(6,758)	(6,402)
		276,500	395,134
Earnings per share			
Basic (RMB)	10	0.12	0.17

Condensed Consolidated Statement of Financial Position

	Notes	**At 30 June 2013** *RMB'000* *(unaudited)*	**At 31 December 2012** *RMB'000* *(audited)*
NON-CURRENT ASSETS			
Property, plant and equipment	11	12,016,953	11,062,558
Deposits paid	12	522,980	144,209
Prepaid lease payments		740,776	696,340
Mining rights		218,417	219,536
Goodwill		182,248	18,964
Other intangible assets		8,585	9,036
Interest in an associate		—	—
Deferred tax assets	21	45,651	37,360
		13,735,610	12,188,003
CURRENT ASSETS			
Inventories		1,374,265	1,140,232
Trade and other receivables	13	3,251,998	2,454,522
Amounts due from a related party		1,834	3,989
Restricted bank balances	14	1,857,319	2,499,873
Cash and bank balances	15	502,332	553,677
		6,987,748	6,652,293
CURRENT LIABILITIES			
Trade and other payables	16	3,380,526	4,382,843
Amounts due to a related party		13,051	500
Income tax payable		64,952	78,876
Short term debenture	17	1,600,000	1,000,000
Borrowings - due within one year	18	4,583,385	4,902,903
Obligations under finance leases		46,727	45,175
		9,688,641	10,410,297
NET CURRENT LIABILITIES		2,700,893	3,758,004
TOTAL ASSETS LESS CURRENT LIABILITIES		11,034,717	8,429,999

	Notes	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
CAPITAL AND RESERVES			
Issued capital		19,505	19,505
Reserves		3,290,080	3,290,080
Retained earnings		3,297,237	3,013,979
Equity attributable to owners of the Company		6,606,822	6,323,564
Non-controlling interests		127,176	19,896
TOTAL EQUITY		6,733,998	6,343,460
NON-CURRENT LIABILITIES			
Borrowings - due after one year	18	464,000	661,000
Mid-term debenture	19	1,400,000	1,000,000
Long-term corporate bonds	20	2,000,000	—
Other payables		23,062	20,250
Deferred tax liabilities	21	48,980	18,298
Deferred income		198,409	191,221
Obligations under finance leases	19	160,585	184,286
Provision for environmental restoration		5,683	11,484
		4,300,719	2,086,539
		11,034,717	8,429,999

Notes to the Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

The condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard ("IAS") 34, Interim Financial Reporting.

2. BASIS OF PREPARATION OF CONDENSED CONSOLIATED FINANCIAL STATMENTS

As at 30 June 2013 the Group's current liabilities exceeded its current assets by RMB2,700,893,000. The Group's current liabilities mainly included trade and other payables, short term debenture and borrowings.

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

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

(i) Banking facilities of RMB2,116,150,000 in aggregate are available which are obtained before 30 June 2013.

(ii) On 9th August 2013, the Group completed an issuance of mid-term debenture in an aggregate principal amount of RMB400,000,000 with a term of three years and a rate of 7% per annum.

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group' s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board that are mandatorily effective for the current interim period.

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

In the current interim period, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The application of the new or revised IFRSs in the current interim period has had no material effect on the amounts and/or disclosures reported in these condensed consolidated financial statements.

4. REVENUE

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

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

	Six months ended 30 June	
	2013	**2012**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Sales of cement	3,433,125	3,199,716
Sales of clinker	289,177	508,775
	3,722,302	3,708,491

5. SEGMENT INFORMATION

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

The Group's chief executive officer reviews the 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 manufactory 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 Northeastern China.

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

	Segment revenue Six months ended 30 June		**Segment profit Six months ended 30 June**	
	2013	**2012**	**2013**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Central China	2,797,276	2,683,572	277,939	425,383
Northeastern China	925,026	1,024,919	122,915	116,063
Total	3,722,302	3,708,491	400,854	541,446
Unallocated corporate administrative expenses			(19,694)	(16,762)
Profit before taxation			381,160	524,684

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit before taxation without allocation of unallocated corporate administrative expenses including directors' emoluments.

6. FINANCE COSTS

	Six months ended 30 June	
	2013	**2012**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Interest on:		
Bank borrowings wholly repayable within five years	153,276	214,523
Finance lease	7,856	8,855
Other payables	—	836
Bills discounted with recourse	39,434	60,149
Short term debenture	28,239	24,507
Mid-term debenture	57,226	11,921
Long-term debenture	57,589	—
Imputed interest on other payables	464	464
	344,084	321,255
Less: amounts capitalised	(2,069)	(18,537)
	342,015	302,718

The borrowing costs on general borrowing pool capitalized are calculated by applying capitalization rate of 7.23% per annum for the period ended 30 June 2013 (2012: 6.94% per annum).

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2013	**2012**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
PRC Enterprise Income Tax ("EIT")		
- current year	108,912	133,519
- under-provision in prior years	4,039	422
	112,951	133,941
Deferred tax (Note 21)	(8,291)	(4,391)
	104,660	129,550

No provision for Hong Kong taxation has been made during the current interim period 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% from 1 January 2008 onwards.

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2013	**2012**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Depreciation of property, plant and equipment	311,668	277,635
Amortization of prepaid lease payments	6,373	6,322
Amortization of mining rights, included in cost of sales	4,680	6,490
Amortization of other intangible assets	451	—
Total depreciation and amortization	323,172	290,447
Cost of inventories recognized as an expense	2,919,097	2,797,943
Staff costs including retirement benefit	165,693	122,339
Reversal for bad and doubtful debts, included in other expenses	(2,030)	(12,985)
Gain on disposal of property, plant and equipment	(857)	(625)
Value Added Tax refund	(101,242)	(99,626)
Incentive subsidies	(2,526)	(30,569)
Gain on sales of scrap	(11,870)	(12,833)
Interest income	(31,139)	(11,154)

9. DIVIDENDS

No dividends were paid, declared or proposed during the current and prior interim period. The directors have determined that no dividend will be paid in respect of the current interim period.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	**2012**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Earnings		
Profit for the period attributable to owners of the Company (in thousands)	283,258	401,536
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share (in thousands)	2,400,900	2,400,900

No diluted earnings per share is presented as the Company did not have any potential ordinary shares outstanding.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB2,294,000 (six-months ended 30 June 2012: RMB3,349,000), for cash proceeds of RMB3,151,000 (six-months ended 30 June 2012: RMB3,974,000), resulting in a gain on disposal of RMB857,000 (six-months ended 30 June 2012: RMB625,000).

In addition, during the current interim period, the Group paid approximately RMB1,027,354,000 (six-months ended 30 June 2012: RMB494,409,000) mainly for construction and improvement of clinker production lines and cement production lines in order to expand the manufacturing capacity of the Group.

The carrying amounts of buildings, which the application to obtain the ownership certificates is still in process, are approximately RMB835,207,000 as at 30 June 2013 (31 December 2012: RMB819,937,000).

12. DEPOSITS PAID

As at 30 June 2013 and 31 December 2012, amounts represented deposits paid for acquisition of business, and acquiring property, plant and equipment and land use rights.

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2013 *RMB'000* *(unaudited)*	At 31 December 2012 *RMB'000* *(audited)*
Trade receivables	437,728	281,935
Less: allowances for bad and doubtful debts	(23,922)	(25,952)
	413,806	255,983
Bills receivables	985,315	491,327
Advance to suppliers	1,462,330	1,403,769
Value Added Tax refund receivables	83,301	58,816
Prepayment for various tax	117,640	94,202
Prepaid lease payments	12,745	15,015
Other receivables	176,861	135,410
	3,251,998	2,454,522

Bills receivables amounted to RMB89,605,000 as at 30 June 2013 (31 December 2012: RMB422,949,000) were discounted to banks to obtain borrowings.

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

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:

	At 30 June 2013 *RMB'000* *(unaudited)*	At 31 December 2012 *RMB'000* *(audited)*
Within 90 days	1,137,830	510,523
91-180 days	168,359	175,261
181-360 days	79,097	51,282
Over 1 year	13,835	10,244
Total	1,399,121	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.

14. RESTRICTED BANK BALANCES

Restricted bank balances represent deposits pledged to banks as at 30 June 2013 for (i) securing bank borrowings granted to the Group amounting to RMB380,000,000, and (ii) issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB1,477,319,000.

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

The restricted bank balances carry market interest rate of 2.80% to 3.33% per annum as at 30 June 2013 (31 December 2012: 2.80% to 3.50% per annum).

15. CASH AND BANK BALANCES

The amounts represent cash and bank balances held by the Group. As at 30 June 2013, bank balances carry interest at market rates of 0.01% and 0.5% per annum (31 December 2012: 0.01% and 0.5% per annum).

16. TRADE AND OTHER PAYABLES

	At 30 June 2013 *RMB'000* *(unaudited)*	**At 31 December 2012** *RMB'000* *(audited)*
Trade payables	710,090	1,752,503
Bills payables	1,801,400	1,757,000
Construction cost and retention payable	280,319	388,229
Advances from customers	418,050	181,083
Other tax payables	9,474	62,617
Other payables - current	10,114	18,514
Payables for mining rights	8,300	8,300
Other payables and accrued expenses	142,779	214,597
	3,380,526	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:

	At 30 June 2013 *RMB'000* *(unaudited)*	At 31 December 2012 *RMB'000* *(audited)*
Within 1-90 days	1,584,103	1,889,559
91-180 days	788,663	1,566,530
181-365 days	112,051	39,897
Over 1 year	26,673	13,517
Total	2,511,490	3,509,503

17. SHORT TERM DEBENTURE

	At 30 June 2013 *RMB'000* *(unaudited)*	At 31 December 2012 *RMB'000* *(audited)*
Short term debenture	1,600,000	1,000,000

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

The amounts as at 30 June 2013 represented the short term debentures of RMB1,600,000,000 which included the fifth tranche of short term debentures of RMB600,000,000 issued on 1 February 2013, the sixth tranche of short term debentures of RMB500,000,000 issued on 27 April 2013 and the seventh tranche of short term debentures of RMB500,000,000 issued on 21 May 2013 through the lead underwriter, China Guangfa Bank Company Limited, with maturity of one year respectively. These three tranches of short term debentures carry interest of fixed rates of 4.77%, 4.70% and 4.64%, respectively.

18. BORROWINGS

	At 30 June 2013 *(unaudited)*	At 31 December 2012 *(audited)*
Bank borrowings		
- fixed-rate	2,135,500	2,407,700
- variable-rate	2,822,280	2,773,865
	4,957,780	5,181,565
Bank borrowing relating to bills discounted with recourses	89,605	382,338
	5,047,385	5,563,903
Secured	1,420,605	2,236,075
Unsecured	3,626,780	3,327,828
	5,047,385	5,563,903

The borrowings are repayable as follows:

	At 30 June 2013 *(unaudited)*	At 31 December 2012 *(audited)*
On demand or within one year	4,583,385	4,902,903
More than one year, but not exceeding two years	315,000	476,000
More than two years, but not exceeding five years	149,000	185,000
	5,047,385	5,563,903
Less: Amount due within one year shown under current liabilities	(4,583,385)	(4,902,903)
Amount due after one year	464,000	661,000

During the current interim period, the Group obtained new bank loans amounting to RMB1,506,605,000 (30 June 2012: RMB737,731,000). The loans carry interest at variable market rates of 4.5% to 11.16% (30 June 2012: 6.1% to 11.16%).

19. MID-TERM DEBENTURE

	At 30 June 2013 *RMB'000* *(unaudited)*	At 31 December 2012 *RMB'000* *(audited)*
Mid-term debenture	1,400,000	1,000,000

The amounts as at 30 June 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 and RMB400,000,000 on 2 April 2013 with maturity of three years, carrying fixed interest rate at 8.4%, 5.8%, 5.9% and 7.0% per annum respectively.

20. LONG-TERM CORPORATE BONDS

	At 30 June 2013 *RMB'000* *(unaudited)*	At 31 December 2012 *RMB'000* *(audited)*
Long-term corporate bonds	2,000,000	—

The amounts as at 30 June 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 eight years and a rate of 7.10% per annum.

21. DEFERRED TAXATION

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

	Allowance on inventories and trade and other receivables	Depreciation on 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 to profit or loss for the period	(5,303)	386	116	5,301	3,891	4,391
At 30 June 2012	5,013	(25,709)	(600)	5,301	11,449	(4,546)
At 1 January 2013	8,418	(24,925)	(484)	19,160	16,893	19,062
Acquisition of subsidiaries	—	(30,682)	—	—	—	(30,682)
Credit to profit or loss for the period	(2,298)	440	116	10,535	(502)	8,291
At 30 June 2013	6,120	(55,167)	(368)	29,695	16,391	(3,329)

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

For the purpose of presentation in the condensed 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:

	At 30 June 2013 *RMB'000* *(unaudited)*	**At 31 December 2012** *RMB'000* *(audited)*
Deferred tax assets	45,651	37,360
Deferred tax liabilities	(48,980)	(18,298)
	(3,329)	19,062

At 30 June 2013, the Group has unused tax losses of approximately RMB131,925,000 (31 December 2012: RMB89,785,000) available for offset against future profits. A deferred tax asset has been recognized in respect of RMB118,780,000 (31 December 2012: RMB76,640,000) of such losses. No deferred tax asset has not been recognized in respect of the remaining RMB13,145,000 (31 December 2012: RMB13,145,000) due to unpredictability of future profit streams in respective subsidiaries.

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 condensed consolidated financial statements in respect of temporary differences attributable to accumulated profit of the PRC subsidiaries amounting to RMB3,837,588,000 as at 30 June 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 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 the first half of 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 15.8 million tonnes, representing an increase of 4.0 million tonnes, or 33.9% over the corresponding period in 2012. Meanwhile, we reduced the sales of clinker (an intermediate product) by 33.3% to improve our profitability. In the first half of 2013, we recorded revenue of RMB3,722.3 million, representing an increase of RMB13.8 million over the corresponding period in 2012.

During the six-month period ended 30 June 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 the first half of 2013, we took strategic steps in consolidating cement producers in Liaoning market, by acquiring four cement and clinker enterprises, comprising 1 clinker production lines with an aggregate production capacity of approximately 1.2 million tonnes per annum and 5 cement production lines with an aggregate production capacity of approximately 4.0 million tonnes per annum. Such acquired capacities contributed RMB151.8 million to our revenue and RMB13.1 million to our operating profit for the reporting period.

BUSINESS ENVIRONMENT

Under the new leadership, the PRC government continued to carry out proactive fiscal policy and achieved structural adjustment. The national economy achieved progress in a steady manner. In the first half of 2013, China's gross domestic product (GDP) amounted to RMB24,800.9 billion, representing an increase of 7.6% over the corresponding period in 2012. China's fixed asset investments (FAI) (excluding rural household) amounted to RMB18.1 trillion, representing an increase of 20.1% over the corresponding period in 2012. Moreover, investment in infrastructure (excluding production and supply of electricity, heat, gas and water) was RMB2.7 trillion, representing an increase of 25.3%, with a growth rate of 20.9 percentage point over the corresponding period in 2012.

China continues to implement control policies on the real estate industry by introducing purchase restrictions, differential housing credit policies and real estate tax policies, as well as increasing land supply plus other measures to control real estate prices from rapid increases. These measures are expected to maintain the healthy and stable development of China's real estate market. According to the National Bureau of Statistics, China's real estate investment reached RMB3.7 trillion in the first half of 2013, representing an increase of 20.3% and an increase in growth rate of 3.7 percentage points over the corresponding period last year. We believe that the steady market demand for real estate in China would support a sustainable growth in demand for cement products.

According to the Bureaus of Statistics of relevant provinces and regions, for the first half of 2013, Henan, Liaoning, Anhui and Tianjin, the regions where we operate, recorded GDP growths of 8.4%, 9.0%, 10.9% and 12.5%, respectively, over the corresponding period in 2012. In the meantime, the FAI (excluding rural household) in Henan, Liaoning, Anhui and Tianjin for the first half of 2013 were RMB1.09 trillion, RMB1.12 trillion, RMB824.1 billion and RMB519.7 billion, respectively, representing increases of 23.5%, 21.1%. 21.6% and 19.1%, respectively, over the corresponding period in 2012. The investment in infrastructure in these four regions for the first half of 2013 recorded increases of 19.0%, 38.6%, 23.9% and 22.8%, respectively, and the investment in real estate increased by 24.9%, 21.3%, 22.4% and 19.9%, respectively, over the corresponding period in 2012.

CEMENT INDUSTRY

Cement demand in China continued to grow in the first half of 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 1.1 billion tonnes in the first half of 2013, representing an increase of 9.7% over the corresponding period in 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 77.8 million tonnes for the first half of 2013, representing an increase of 4 million tonnes, or 5.25%, over the corresponding period in 2012. The cement production volume in Liaoning was 24.8 million tonnes for the first half of 2013, representing a slight increase of 1.36% over the corresponding period in 2012, due to the cold weather in winter when construction activities in the northeast of China (particularly in Liaoning) are generally slow. In the first half of 2013, the volume of cement production in Anhui and Tianjin recorded increases of 16.71% and 14.42%, respectively, over the corresponding period in 2012.

According to the monthly reports issued by China Cement Research Institute (中國水泥研究院), 27 new clinker production lines commenced production during the first half of 2013, which increased clinker production capacity by 32.9 million tonnes. New capacities mainly concentrated in the northwest and southwest of China. Among them, one new production line with 1.0 million tonnes in capacity was constructed in Henan and two new production lines with 3.1 million tonnes in capacity 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 tasks 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 1.24 million tonnes clinker in Henan, 400,000 tonnes clinker and 350,000 tonnes cement in Liaoning, 580,000 tonnes clinker in Anhui and 2.02 million tonnes cement in Tianjin, respectively, are considered obsolete capacities and shall be eliminated in 2013.

FINANCIAL REVIEW

Revenue

Our revenue was approximately RMB3,722.3 million for the six months ended 30 June 2013, representing an increase of RMB13.8 million, or 0.4%, over the corresponding period 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 during the first six months of 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 RMB3,433.1 million for the six months ended 30 June 2013, representing an increase of RMB233.4 million, or 7.3%, over the corresponding period in 2012. The increase was primarily attributable to the increase of sales volume of our cement by 4.0 million tonnes, or 33.9%, from 11.8 million tonnes for the first half of 2012 to 15.8 million tonnes for the first half of 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).

Our clinkers produced during the first half of 2013 were primarily used to satisfy our internal demand for cement production, mainly due to the fact that clinker is a semi-finished product that can be used to produce different types of cement products, and the profit margin of clinker is lower when compared with cement products. As such, only 1.4 million tonnes of clinkers were sold externally, representing a 33.3% decrease from 2.1 million tonnes of clinkers sold externally during the first half of 2012. We recorded approximately RMB289.2 million of revenue generated from clinker sales for the six months ended 30 June 2013, representing a decrease by RMB219.6 million, or 43.2%, over the corresponding period in 2012.

Our revenue from sales of cement as a percentage of revenue was approximately 92.2% for the six months ended 30 June 2013 and 86.3% for the six months ended 30 June 2012, respectively. Our revenue from sales of clinker as a percentage of revenue was approximately 7.8% for the six months ended 30 June 2013 and 13.7% for the six months ended 30 June 2012, respectively.

Cost of Sales

In the first half of 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 RMB2,919.1 million for the six months ended 30 June 2013, representing an increase of RMB121.2 million, or 4.3% over the corresponding period in 2012. The increase was primarily due to the increase in our cement sales volume by 33.9% during the same period.

Our cost of sales mainly consists of raw materials, coal and electricity. During the first six months of 2013, our costs of raw materials, coal and electricity as a percentage of cost of sales was 36.4%, 35.0% and 18.5%, respectively. During the same period, our costs of raw materials, coal and electricity for production of cement per tonne was RMB61.8, RMB59.3 and RMB31.4, respectively, representing decreases of 1.2%, 28.4%, and 0.8%, respectively, over the corresponding period in 2012.

Gross Profit and Gross Profit Margin

Our gross profit was approximately RMB803.2 million for the six months ended 30 June 2013, representing a decrease of RMB107.3 million, or 11.8%, from approximately RMB910.5 million for the corresponding period in 2012. Our gross profit margin decreased to approximately 21.6% in the first half of 2013 from 24.6% in the corresponding period 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

Other income was approximately RMB209.7 million for the six months ended 30 June 2013, representing an increase of RMB21.4 million, or 11.4%, from approximately RMB188.3 million for the six months ended 30 June 2012. The increase was primarily due to (i) the increase in value-added tax refunds from the PRC government; and (ii) the increase in the interests income arising from bank balance.

Selling and Distribution Expenses

Our selling and distribution expenses were approximately RMB150.2 million for the six months ended 30 June 2013, representing an increase of RMB33.0 million, or 28.1%, from approximately RMB117.2 million for the six months ended 30 June 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 RMB131.7 million for the six months ended 30 June 2013, representing a decrease of RMB20.8 million, or 13.6%, from RMB152.5 million for the six months ended 30 June 2012. The decrease was mainly due to the decrease in overseas payments of professional fees as compared to the corresponding period in 2012.

Finance Costs

Finance costs were approximately RMB342.0 million for the six months ended 30 June 2013, representing an increase of RMB39.3 million, or 13.0%, from RMB302.7 million for the six months ended 30 June 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 eight years and an interest rate of 7.10% per annum.

Profit before Taxation

As a result of the foregoing, our profit before taxation was approximately RMB381.2 million for the six months ended 30 June 2013, representing a decrease of RMB143.5 million, or 27.4%, from approximately RMB524.7 million for the six months ended 30 June 2012.

Income Tax Expenses

Our income tax expenses were approximately RMB104.7 million for the six months ended 30 June 2013, representing a decrease of RMB24.9 million, or 19.2% from approximately RMB129.6 million for the six months ended 30 June 2012, which was mainly due to the decrease in profit before taxation as described above.

Profit Attributable to Owners of the Company and Net Profit Margin

As a result of the foregoing, our profit attributable to owners of the Company for the six months ended 30 June 2013 was approximately RMB283.3 million, representing a decrease of RMB118.2 million, or 29.5%, from approximately RMB401.5 million for the six months ended 30 June 2012. The net profit margin decreased from 10.7% in the six months ended 30 June 2012 to 7.4% in the six months ended 30 June 2013, primarily attributable to the decrease of revenue and the increase of our cost of sales and financial costs as a percentage of our revenue.

FINANCIAL AND LIQUIDITY POSITION

Trade and other receivables

Trade and other receivables increased from RMB2,454.5 million as at 31 December 2012 to RMB3,252.0 million as at 30 June 2013, mainly due to the increase in trade receivables and bill receivables.

Inventories

Inventories increased from RMB1,140.2 million as at 31 December 2012 to RMB1,374.3 million as at 30 June 2013, primarily due to our expansion of scale after the acquisition of the four cement and clinker enterprises.

Cash and cash equivalents

Cash and bank balance decreased from RMB553.7 million as at 31 December 2012 to RMB502.3 million as at 30 June 2013, primarily due to the decrease of net cash flow generated from operating activities during the reporting period.

LONG-TERM AND SHORT-TERM BORROWINGS AND OTHER BORROWINGS

Borrowings due within one year and short-term bonds

Borrowings due within one year and short-term bonds increased from RMB5,902.9 million as at 31 December 2012 to RMB6,183.4 million as at 30 June 2013, primarily due to the fact that we have newly issued two series of short-term bonds.

Borrowings due after one year and mid-term bonds

Borrowings due after one year and mid-term bonds increased from RMB1,661.0 million as at 31 December 2012 to RMB1,864.0 million as at 30 June 2013, primarily due to the fact that we have newly issued two series of mid-term bonds.

Long-term Corporate bonds

The amount of long-term corporate bonds as at 30 June 2013 represented the issuance of long-term corporate bonds in an aggregate principal amount of RMB2 billion on 6 February 2013, with a term of eight years and an interest rate of 7.10% per annum.

As at 30 June 2013, we had unutilized bank facilities of approximately RMB2,116.2 million. Our principal sources of liquidity have been cash generated from our operations, 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.

NET GEARING RATIO

As at 30 June 2013, our net gearing ratio was 119.5%, as compared with 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 for the six months ended 30 June 2013 amounted to approximately RMB1,848.9 million (same period 2012: RMB501.8 million) and capital commitments contracted for but not recognized in the condensed consolidated financial statements as at 30 June 2013 amounted to approximately RMB117.4 million (31 December 2012: RMB415.1 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. Our Group expects to fund our future capital requirements through cash generated from our operations, bank and other borrowings and other sources of finance as appropriate.

CONTINGENT LIABILITIES

As at 30 June 2013, other than contingent liabilities of RMB33.3 million (31 December 2012: RMB40.0 million) for our provision of guarantees to third parties as disclosed in our 2012 Annual Report, we did not have new or other contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2013, carrying amount of the assets of our Group pledged to secure our bank borrowings amounted to approximately RMB2,300.0 million (31 December 2012: RMB3,281.3 million).

CONNECTED TRANSACTIONS

During the six months ended 30 June 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 the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the "**Listing Rules**").

During the six-month period ended 30 June 2013, the Group has been purchasing clinker from a connected person of the Company pursuant to the Clinker Supply Framework Agreement dated 26 September 2012. The aggregate amount of such continuing connected transactions for the six months ended 30 June 2013 has not exceeded the caps disclosed in the announcement of the Company dated 26 September 2012 in relation to the Clinker Supply Framework Agreement.

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2013, we neither held any material investment nor planned to make any material investment and acquire any capital assets.

MARKET RISKS

Exchange rate risk

For the six-month period ended 30 June 2013 and the foreseeable subsequent period, our Group believes that the impact of exchange rate risk on our Group was and will be minimal, mainly because substantially all of our businesses are in mainland China, save for minimal foreign exchange risk in payment of external intermediary costs.

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 of our short, medium and long-term funding and liquidity management requirements. We manage the liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in (both actual and forecast) cash flows. Our management also monitors the utilization of bank borrowings and ensures compliance with loan covenants.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, our Group had 7,334 employees (31 December 2012: 6,996). The employees' cost including remuneration was RMB165.7 million during the period (same period of 2012: RMB122.3 million). The remuneration policies, bonus and training programs for employees of our Group were implemented continuously according to policies disclosed in the 2012 Annual Report and no change has been made during the six-month period ended 30 June 2013.

PROSPECTS

It is expected that in the second half of 2013 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. And we also expect that the cement demand in Liaoning will accelerate in the second half of 2013.

To meet the growing demand for cement, we intend to strengthen our leading market position in Henan and Liaoning through organic 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

For the six months ended 30 June 2013, the Company met with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

Compliance with the Model Code by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own 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 standard set out in the Model Code throughout the six months ended 30 June 2013 and up to the date of this announcement.

Purchase, Sale or Redemption of Securities

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities.

Review of Financial Statements

The audit committee of the Board has discussed with the Company's management and reviewed the interim results of the Group for the six months ended 30 June 2013.

Interim Dividend

The Directors did not recommend to declare any interim dividend for the six months ended 30 June 2013.

Publication of Interim Report on the Websites of the Stock Exchange and the Company

The Company's interim report for the six months ended 30 June 2013 will be published on the website of The Stock Exchange of Hong Kong Limited and the Company's website at http://www.trcement.com and will be dispatched to the Company's shareholders in due course.

APPRECIATION

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

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

Hong Kong, 30 August 2013

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

Chairman and Non-executive Director
Mr. Li Liufa

Executive Directors
Mr. Yang Yongzheng, Mr. Wang Delong and Mr. Xu Wuxue

Non-Executive Director
Mr. Tang Ming Chien

Independent Non-executive Directors
Mr. Kong Xiangzhong, Mr. Ma Chun Fung Horace and Mr. Wang Ping