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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1252)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

SUMMARY/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 (RMB)	0.23	0.33
Diluted earnings per share (RMB)	N/A	0.33

	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

The Board of Directors (the "**Board**") of China Tianrui Group Cement Company Limited (the "**Company**") is pleased to announce the audited financial results of the Company and its subsidiaries (the Company and its subsidiaries, collectively, the "**Group**") for the year ended 31 December 2013. The Group's financial results have been audited by Deloitte Touche Tohmatsu.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Notes	**2013**	**2012**
		RMB'000	*RMB'000*
		(except earnings per share data)	
Revenue	4, 5	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	6	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	7	(752,107)	(570,023)
Profit before tax		729,323	1,027,051
Income tax expense	8	(246,278)	(264,262)
Profit and total comprehensive income for the year	9	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
Earnings per share (RMB)			
Basic	10	0.23	0.33
Diluted	10	N/A	0.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		11,843,388	11,062,558
Deposits paid		1,291,970	144,209
Prepaid lease payments		791,573	696,340
Mining rights		215,530	219,536
Goodwill		161,480	18,964
Other intangible assets		8,226	9,036
Interest in an associate		—	—
Deferred tax assets	20	50,780	37,360
		14,362,947	12,188,003
CURRENT ASSETS			
Inventories		1,311,917	1,140,232
Loan receivables		993,777	—
Trade and other receivables	12	2,822,099	2,454,522
Amounts due from a related party		—	3,989
Pledged bank balances	13	2,141,207	2,499,873
Cash and bank balances	14	1,016,301	553,677
		8,285,301	6,652,293
CURRENT LIABILITIES			
Trade and other payables	15	4,604,289	4,382,843
Amounts due to a related party		31,434	500
Tax liabilities		113,521	78,876
Short term debentures	16	2,100,000	1,000,000
Mid-term debentures - due within one year	18	300,000	—
Borrowings - due within one year	17	3,975,858	4,902,903
Obligations under finance leases		48,305	45,175
Financial guarantee contracts		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 (continued)

	Notes	As at 31 December 2013	2012
		RMB'000	*RMB'000*
CAPITAL AND RESERVES			
Share capital		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	17	700,000	661,000
Mid-term debenture	18	1,500,000	1,000,000
Long-term corporate bonds	19	2,000,000	—
Other payables		16,800	20,250
Deferred tax liabilities	20	44,260	18,298
Deferred income		183,960	191,221
Obligations under finance leases		135,980	184,286
Provision for environmental restoration		14,630	11,484
		4,595,630	2,086,539
		11,466,131	8,429,999

NOTES TO THE 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 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 ("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.

(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 ("IASB") which has been effective for the first time in the current year:

Amendments to IFRSs	Annual Improvements to HKFRSs 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.

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.

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 relevent 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.

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 consolidated 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 statement.

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. 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

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 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 Northeastern 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

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.

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

	2013	**2012**
	RMB'000	*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.

Other segment information

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

For the year ended 31 December 2013

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

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.

6. OTHER INCOME AND OTHER GAINS AND LOSSES

	2013	2012
	RMB'000	*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	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.

7. FINANCE COSTS

	2013	2012
	RMB'000	*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 debenture	78,675	62,447
Mid-term debenture	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).

8. 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 20)	(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 recognized	60,983	—
Utilisation of tax losses previously not recognized	(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

9. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

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

	2013	2012
	RMB'000	*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 recognized 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

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:

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

11. DIVIDEND

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

12. TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB'000	*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	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.

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:

	2013	2012
	RMB'000	*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:

	2013	**2012**
	RMB'000	*RMB'000*
181-360 days	26,114	51,282
Over 1 year	15,057	10,244
Total	41,171	61,526

Movement in the allowance for bad and doubtful debts

	2013	**2012**
	RMB'000	*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.

13. 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, 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, 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).

14. 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).

15. TRADE AND OTHER PAYABLES

	2013	**2012**
	RMB'000	*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	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	**2012**
	RMB'000	*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

16. SHORT TERM DEBENTURES

	2013	**2012**
	RMB'000	*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 short term debentures recognised in the consolidated financial statements approximate to their fair value.

17. BORROWINGS

	2013	2012
	RMB'000	*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 recourses (iv)	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	2012
	RMB'000	*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.

Notes:

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 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 RMB30,000,000 as at 31 December 2013 (31 December 2012: RMB40,000,000) the Group breached certain of the terms of the loans and the lenders have the right to demand immediate payment. The borrowings have been classified as a current liability as at 31 December 2013 and 2012, respectively.

18. MID-TERM DEBENTURES

	2013	**2012**
	RMB'000	*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 amount of the mid-term debentures recognised in the consolidated financial statements approximately to their fair value.

19. LONG-TERM CORPORATE BONDS

	2013	**2012**
	RMB'000	*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. 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 Company Limited, 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.

20. DEFERRED TAXATION

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

	Allowance on inventories and trade and other receivables	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*	*RMB'000*
					(note)	
As 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
As 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	—	(26,053)	—	—	—	(26,053)
As 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

As 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 not been recognized 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 unrecognized tax loss will be expired as follows:

	2013	**2012**
	RMB'000	*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.

21. CONTINGENT LIABILITIES

	2013	**2012**
	RMB'000	*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 banking facilities utilized 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, which amounted to RMB250,000,000 and RMB522,000,000 respectively. The management considers the risk of the contingent liabilities and recognized financial guarantee liabilities of RMB8,710,000 in the consolidated financial statement.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 RMB6,766.2million 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 in 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 677,630,000:

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% 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% 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: approximately RMB40 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.

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.

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.

CORPORATE GOVERNANCE

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

For the period from 1 January 2013 to 31 December 2013, the Company has adopted the code provisions set out in the Corporate Governance Code set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code on corporate governance practice. The Company has 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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry with the Directors, all of them have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2013.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Board of the Company has discussed with the management of the Company on and reviewed the consolidated financial statements of the Group for the year ended 31 December 2013. The financial information included in this announcement has been agreed with the Company's auditor, Deloitte Touche Tohmatsu.

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

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDEND

The Directors did not recommend the declaration of any final dividend for the year ended 31 December 2013 (31 December 2012: Nil).

ANNUAL GENERAL MEETING

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

PUBLICATION OF ANNUAL REPORT

The Company's annual report for the year ended 31 December 2013 will be published on the website of the Stock Exchange and the Company's website at http://www.trcement.com and will be dispatched to the Company's shareholders in due course.

APPRECIATION

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

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

Ruzhou City, Henan Province, PRC, 25 March 2014

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