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 2014

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Revenue	**4,296,213**	3,722,302
Gross profit	**958,708**	803,205
Gross profit margin	**22.3%**	21.6%
Profit	**318,495**	276,500
EBITDA	**1,150,386**	1,046,347
Profit attributable to owners of the Company	**327,411**	283,258
Basic earnings per share *(RMB)*	**0.14**	0.12

	At 30 June	At 30 June
	2014	2013
	RMB'000	*RMB'000*
Total assets	**22,954,178**	22,648,248
Total liabilities	**15,765,182**	15,777,747
Equity attributable to owners of the Company	**7,201,220**	6,873,809

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 2014, together with the comparative figures for the six-month period ended 30 June 2013, as follows:

Condensed Consolidated Statement of Comprehensive Income

		Six months ended 30 June	
	Notes	**2014**	2013
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Revenue	4, 5	**4,296,213**	3,722,302
Cost of sales		**(3,337,505)**	(2,919,097)
Gross profit		**958,708**	803,205
Other income	6	**201,881**	209,753
Selling and distribution expenses		**(190,108)**	(150,219)
Administrative expenses		**(145,741)**	(131,736)
Other expenses		**(8,075)**	(7,828)
Finance costs	7	**(380,328)**	(342,015)
Profit before tax		**436,337**	381,160
Income tax expense	8	**(117,842)**	(104,660)
Profit and total comprehensive income for the period	9	**318,495**	276,500
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**327,411**	283,258
Non-controlling interests		**(8,916)**	(6,758)
		318,495	276,500
Earnings per share			
Basic *(RMB)*	11	**0.14**	0.12

Condensed Consolidated Statement of Financial Position

	Notes	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**12,441,025**	11,843,388
Deposits paid	13	**298,083**	1,291,970
Prepaid lease payments		**767,318**	791,573
Mining rights		**204,525**	215,530
Goodwill		**230,051**	161,480
Other intangible assets		**7,775**	8,226
Interest in an associate		**—**	—
Deferred tax assets		**56,347**	50,780
		14,005,124	14,362,947
CURRENT ASSETS			
Inventories		**1,083,041**	1,311,917
Loan receivables		**—**	993,777
Trade and other receivables	14	**2,588,888**	2,822,099
Amounts due from a related party		**12,527**	—
Restricted bank balances	15	**2,601,727**	2,141,207
Cash and bank balances	16	**2,662,871**	1,016,301
		8,949,054	8,285,301
CURRENT LIABILITIES			
Trade and other payables	17	**3,553,561**	4,604,289
Amounts due to a related party		**508**	31,434
Income tax payable		**166,198**	113,521
Short term debenture	18	**2,500,000**	2,100,000
Mid-term debenture — due within one year		**500,000**	300,000
Borrowings — due within one year	19	**3,985,245**	3,975,858
Obligations under finance leases		**49,961**	48,305
Financial guarantee contracts		**7,839**	8,710
		10,763,312	11,182,117
NET CURRENT LIABILITIES		**(1,814,258)**	(2,896,816)
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,190,866**	11,466,131

	Notes	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
CAPITAL AND RESERVES			
Issued capital		**19,505**	19,505
Reserves		**3,336,874**	3,336,874
Retained earnings		**3,844,841**	3,517,430
Equity attributable to owners of the Company		**7,201,220**	6,873,809
Non-controlling interests		**(12,224)**	(3,308)
TOTAL EQUITY		**7,188,996**	6,870,501
NON-CURRENT LIABILITIES			
Borrowings — due after one year	19	**1,029,000**	700,000
Mid-term debenture	20	**1,594,600**	1,500,000
Long-term corporate bonds	21	**2,000,000**	2,000,000
Other payables		**28,512**	16,800
Deferred tax liabilities		**49,649**	44,260
Deferred income		**177,742**	183,960
Obligations under finance leases		**106,050**	135,980
Provision for environmental restoration		**16,317**	14,630
		5,001,870	4,595,630
		12,190,866	11,466,131

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 CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2014 the Group's current liabilities exceeded its current assets by RMB1,814,258,000. 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 RMB1,980,440,000 in aggregate are available which are obtained before 30 June 2014.

(ii) On 23 December 2013, the Group obtained approval from the National Association of Financial Market Institutional Investors (中國銀行間交易商協會) to issue debenture 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 first tranches of this debentures of RMB1,000,000,000 issued on 12 June 2014 and The remaining facilities of RMB1,500,000,000 is able to identify investors and issue the mid-term corporate bonds in the second half of 2014.

Taking into account of the aforesaid presently obtained banking and debenture 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 2014 are the same as those followed in the preparation of the Group' s annual financial statements for the year ended 31 December 2013.

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.

Amendments to IFRS 10, IFRS 12 and IFRS 27	Investment Entities;
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities;
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets;
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting;
IFRIC 21	Levies

The application of the interpretation and amendments to IFRSs and mentioned above 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	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of cement	**3,937,122**	3,433,125
Sales of clinker	**359,091**	289,177
	4,296,213	3,722,302

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		Segment profit	
	Six months ended 30 June		Six months ended 30 June	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Central China	**3,118,171**	2,797,276	**375,046**	277,939
Northeastern China	**1,178,042**	925,026	**70,650**	122,915
Total	**4,296,213**	3,722,302	**445,696**	400,854
Unallocated corporate administrative expenses			**(9,359)**	(19,694)
Profit before taxation			**436,337**	381,160

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. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Value added Tax refund	**111,728**	101,242
Incentive subsidies	**10,635**	2,526
Foreign exchange gain, net	**9,513**	14,599
Interest on bank deposits	**19,808**	31,139
Rental income	**900**	1,009
Release of deferred income	**3,771**	3,681
Gain on sales of scrap	**24,038**	25,506
Gain on disposal of property, plant and equipment	**437**	858
Reversal of bad and doubtful debts	**271**	2,030
Others	**20,780**	27,163
	201,881	209,753

7. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	**160,619**	153,276
Finance lease	**4,826**	7,856
Bills discounted with recourse	**64,373**	39,434
Short term debenture	**36,057**	28,239
Mid-term debenture	**59,781**	57,226
Long-term debenture	**70,606**	57,589
Imputed interest on other payables	**464**	464
	396,726	344,084
Less: amounts capitalised	**(16,398)**	(2,069)
	380,328	342,015

The borrowing costs on general borrowing pool capitalized are calculated by applying capitalization rate of 6.72% per annum for the period ended 30 June 2014 (2013: 6.86% per annum).

8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT")		
— current year	**120,041**	108,912
— under-provision in prior years	**3,368**	4,039
	123,409	112,951
Deferred tax	**(5,567)**	(8,291)
	117,842	104,660

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.

9. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**321,590**	311,668
Amortization of prepaid lease payments	**6,766**	6,373
Amortization of mining rights, included in cost of sales	**4,914**	4,680
Amortization of other intangible assets	**451**	451
Total depreciation and amortization	**333,721**	323,172
Cost of inventories recognized as an expense	**3,337,505**	2,919,097
Staff costs including retirement benefit	**190,726**	165,693

10. 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.

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company *(in thousands)*	**327,411**	283,258
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.

12. 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 RMB857,000 (six-months ended 30 June 2013: RMB2,294,000), for cash proceeds of RMB1,294,000 (six-months ended 30 June 2013: RMB3,151,000), resulting in a gain on disposal of RMB437,000 (six-months ended 30 June 2013: RMB857,000).

In addition, during the current interim period, the Group paid approximately RMB218,458,000 (six-months ended 30 June 2013: RMB1,027,354,000) 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 RMB911,064,000 as at 30 June 2014 (31 December 2013: RMB909,097,000).

13. DEPOSITS PAID

As at 30 June 2014 and 31 December 2013, amounts represented deposits paid for acquisition of business, and acquiring property, plant and equipment and land use rights.

14. TRADE AND OTHER RECEIVABLES

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Trade receivables	**464,705**	338,570
Less: allowances for bad and doubtful debts	**(25,892)**	(26,163)
	438,813	312,407
Bills receivables	**184,160**	374,087
Advance to suppliers	**1,584,633**	1,906,336
Value Added Tax refund receivables	**60,016**	—
Prepayment for various tax	**95,293**	69,558
Prepaid lease payments	**13,533**	19,103
Other receivables	**212,440**	140,608
	2,588,888	2,822,099

Bills receivables amounted to RMB64,100,000 as at 30 June 2014 (31 December 2013: RMB162,689,000) 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 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Within 90 days	**470,997**	279,107
91–80 days	**113,288**	366,216
181–360 days	**22,076**	26,114
Over 1 year	**16,612**	15,057
Total	**622,973**	686,494

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.

15. PLEDGED BANK BALANCES

Restricted bank balances represent deposits pledged to banks as at 30 June 2014 for (i) securing bank borrowings granted to the Group amounting to RMB653,250,000, and (ii) issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB1,948,477,000.

Restricted bank balances represent deposits pledged to banks as at 31 December 2013 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.

The restricted bank balances carry market interest rate of 2.60% to 4.25% per annum as at 30 June 2014 (31 December 2013: 2.60% to 4.25% per annum).

16. CASH AND BANK BALANCES

The amounts represent cash and bank balances held by the Group. As at 30 June 2014, bank balances carry interest at market rates of 0.01% and 0.35% per annum (31 December 2013: 0.01% and 0.35% per annum).

17. TRADE AND OTHER PAYABLES

	At 30 June 2014 *RMB'000* **(unaudited)**	At 31 December 2013 *RMB'000* (audited)
Trade payables	**1,483,550**	1,978,244
Bills payables	**1,190,000**	1,533,000
Construction cost and retention payable	**363,145**	330,625
Advances from customers	**197,571**	228,623
Other tax payables	**12,175**	83,251
Other payables — current	**4,759**	9,518
Payables for mining rights	**8,300**	8,300
Accrued interest	**151,282**	244,965
Other payables and accrued expenses	**142,779**	187,763
	3,553,561	4,604,289

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 2014 *RMB'000* **(unaudited)**	At 31 December 2013 *RMB'000* (audited)
Within 1–90 days	**1,830,937**	2,081,685
91–180 days	**493,906**	1,352,479
181–365 days	**308,240**	102,746
Over 1 year	**40,467**	39,334
Total	**2,673,550**	3,576,244

18. SHORT TERM DEBENTURE

	At 30 June 2014 *RMB'000* (unaudited)	At 31 December 2013 *RMB'000* (audited)
Short term debenture	**2,500,000**	2,100,000

The amounts as at 30 June 2014 represented the short term debentures of RMB2,500,000,000 which included the fourth tranche of short term debenture of RMB500,000,000 issued on 17 October 2013 and the fifth tranche of short term debenture of RMB1,000,000,000 issued on 12 June 2014 and the sixth tranch of short term debenture of RMB1,000,000,000 issued on 23 June 2014 with maturity of one year respectively. These two tranches of short term debentures carry interest at fixed rates of 6.6%, 8.5% and 8.3% per annum, respectively.

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

19. BORROWINGS

	At 30 June 2014 (unaudited)	At 31 December 2013 (audited)
Bank borrowings		
— fixed-rate	**2,323,000**	2,438,000
— variable-rate	**2,691,245**	2,096,668
	5,014,245	4,534,668
Bank borrowing relating to bills discounted with recourses	**—**	141,190
	5,014,245	4,675,858
Secured	**2,002,965**	3,035,656
Unsecured	**3,011,280**	1,640,202
	5,014,245	4,675,858

The borrowings are repayable as follows:

	At 30 June 2014 (unaudited)	At 31 December 2013 (audited)
On demand or within one year	**3,985,245**	3,975,858
More than one year, but not exceeding two years	**919,000**	600,000
More than two years, but not exceeding five years	**110,000**	100,000
	5,014,245	4,675,858
Less: Amount due within one year shown under current liabilities	**(3,985,245)**	(3,975,858)
Amount due after one year	**1,029,000**	700,000

During the current interim period, the Group obtained new bank loans amounting to RMB2,285,649,000 (30 June 2013: RMB2,279,850,000). The loans carry interest at variable market rates of 5.4% to 12.00% (30 June 2013: 4.5% to 11.16%).

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

20. MID-TERM DEBENTURE

	At 30 June 2014 *RMB'000* **(unaudited)**	At 31 December 2013 *RMB'000* (audited)
Mid-term debenture	**2,094,600**	1,800,000
Less: due within one year	**(500,000)**	(300,000)
Due after one year	**1,594,600**	1,500,000

The amounts as at 30 June 2014 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, RMB400,000,000 on 8 August 2013, RMB250,000,000 on 25 April 2014 and RMB44,600,000 on 29 April 2014 with maturity of three years, carrying fixed interest rate at 8.4%, 5.8%, 5.9%, 7.0%, 7.0%, 9.0% and 9.5% per annum respectively.

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

21. LONG-TERM CORPORATE BONDS

	At 30 June 2014 *RMB'000* **(unaudited)**	At 31 December 2013 *RMB'000* (audited)
Long-term corporate bonds	**2,000,000**	2,000,000

The amounts as at 30 June 2014 represented the issuance of long-term corporate bonds in an aggregate principal amount RMB2,000,000,000 on 6 February 2013, with a term of five years and a rate of 7.10% per annum, with an option to further extend for three years subject to the approval of the bondholders. This long-term corporate bonds were issued through the lead underwriter, HUAXI Securities Co., Ltd (華西證券有限責任公司), to non-specific buyers. This long-term corporate bonds are jointly and severally guaranteed by two subsidiaries of Tianrui Group, namely Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司) ("Tianrui Foundry") and Tianrui Group Travel Development Company Limited (天瑞集團旅遊發展有限公司) ("Tianrui Travel"). The guarantees have been provided at no cost to the Group.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first six months of 2014, we maintained the strong momentum to increase the sales volume of our cement products, and, as a result, strengthened our position as a leader in Henan and Liaoning cement markets.

— According to the website of Digital Cement (數字水泥), in the first half of 2014, the cement production volume of Henan increased by 6.1% year-over-year to 83.6 million tonnes. On the other hand, during the first six months of 2014, the Group sold 14.0 million tonnes of cement in Henan, representing an increase of 9.4% as compared to the same period of 2013.

— According to the website of Digital Cement (數字水泥), in the first half of 2014, the cement production volume in Liaoning was 28.0 million tonnes, representing an increase of 7.2% year-over-year. Compared with that, in Liaoning, the sales volume of our cement products increased by 30.0% year-over-year to 3.9 million tonnes in the first half of 2014.

In the first six months of 2014, 1.8 million tonnes of clinker was sold externally, representing an increase of 28.6% as compared with 1.4 million tonnes for the same period of 2013. Our clinkers produced were primarily used to satisfy our internal demand for cement production.

We recorded revenue of RMB4,296.2 million for the first six months of 2014, representing a year-over-year increase of RMB573.9 million or 15.4% as compared with the same period of 2013. The average selling price of our cement products were RMB219.9 per tonne, representing a slight increase of RMB2.6 per tonne over the average prices recorded during the same period last year.

During the reporting period, we were able to further reduce our unit production costs, as the result of both the improved utilization rates and lower raw material costs. 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 2014, we took strategic steps in consolidating cement producers in Liaoning market and Henan market, by acquiring two cement and clinker enterprises, comprising 1 clinker production lines with an aggregate production capacity of approximately 1.0 million tonnes per annum and 2 cement production lines with an aggregate production capacity of approximately 1.6 million tonnes per annum. Only insignificant revenue and profits from the acquired capacities were recorded, since the transactions were just completed.

BUSINESS ENVIRONMENT

The first half of 2014 saw the great effort by Chinese government to maintain stability of economic growth. In the first quarter of 2014, the nation's gross domestic product (GDP) increased by 7.4% year-over-year, the lowest growth rate of GDP since the first quarter of 2009 when financial crisis harassed the world. To achieve the goal of 7.5% GDP growth set by the central government at the beginning of 2014, such actions called RRR (required reserve ratio) cutting within targeted areas and micro-stimulation are carried out. The growth rate of GDP improved in the second quarter of 2014 to 7.5%. Overall, the GDP growth rate for the first half of 2014 was 7.42%, implicating that further micro stimulus will still be needed in the second half of this year.

Demand for cement and clinkers products to a large extent depends on the general level of activity and growth in the construction industry. Therefore, Social Fixed Assets Investment (FAI), Investment in Infrastructure and Real Estate Investment, which reflect the national level of monetary investment in physical assets such as land, buildings or installations, are important indications for the prospect of demand for cement and clinker. In the first half of 2014, China's FAI (excluding rural household) amounted to RMB21.3 trillion representing an increase of 17.3% over the corresponding period of 2013. Investment in infrastructure (excluding production and supply of electricity, heat, gas and water) increased by 25.1%, representing a growth rate of 5.5 percentage points more than the growth rate recorded in the same period of 2013. Nationwide real estate developmental investment increased by 14.1%, a growth rate of 5.7 percentage points lower than the figure for the corresponding period of 2013.

According to the Bureaus of Statistics of relevant provincial or municipal regions, for the first half of 2014, Henan, Liaoning, Anhui and Tianjin, the regions where we operate, recorded year-over-year GDP growth rate of 8.8%, 7.2%, 9.3% and 10.3%, respectively. In the meantime, the FAI (excluding rural household) in Henan, Liaoning, Anhui and Tianjin increased by 21.1%, 13.1%, 18.0% and 17.4%, respectively, over the same period of 2013. The figures may indicate that the slower growth of FAI in Liaoning in the first half of 2014 contributed to the slower growth of regional economy, but the economy of all the other regions we operate was growing faster than the national level.

CEMENT INDUSTRY

Cement demand in China continued to grow in the first half of 2014, primarily driven by the growth of investments in infrastructure. According to the National Bureau of Statistics, the total cement production in China reached 1.14 billion tonnes in the first six months of 2014, representing a year-over-year increase of 3.6%, 6 percentage point lower than the figure for the same period of 2013. 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 83.5 million tonnes for the first half of 2014, representing a year-over-year increase of 6.1%. The cement production volume in Liaoning was 28.0 million tonnes for the first half of 2014, representing year-over-year increase of 0.3% over the corresponding period in 2013. In the first half of 2014, the volume of cement production for both Anhui and Tianjin recorded year-over-year increases of 4.9%. The demand in all these regions achieved higher growth rate than the national level.

According to the website of Digital Cement (數字水泥), 22 new clinker production lines commenced production in the first half of 2014, which increased clinker production capacity by 31.1 million tonnes per annum, representing a decrease of 20% compared with 38.9 million tonnes per annum of the new clinker production capacity commenced in the first half of 2013. Nationwide investment in cement industry was RMB49.2 billion in the first half of 2014, representing a decrease of 12.2% when compared with the figure for the first half of 2013. In the region we operated, only one new clinker production line commenced in each of Henan and Anhui, during the first six months of 2014, adding new clinker capacity of 1.6 million in each of the two provinces.

As Chinese cement industry policy continues to highlight the importance of optimal allocation of resources and sustainable growth of cement industry, the key task for cement industry development going forward will be controlling added production capacity, eliminating obsolete production capacities, saving energy and resource, and reducing emission. 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. Meanwhile, The Chinese government has been supporting larger and more efficient cement companies and encouraging the consolidation trend in the cement industry. 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

FINANCIAL REVIEW

Revenue

For the first half of 2014, our overall revenue was approximately RMB4,296.2 million, representing a year-over-year increase of RMB573.9 million, or 15.4% compared with the corresponding period of 2013. The cement segment recorded a revenue of approximately RMB3,937.1 million in the reporting period, representing an increase of RMB504.0 million or 14.7% year-over-year, as compared with the first half of 2013. Sale revenue of our clinker products increased by RMB69.9 million or 24.2% year-over-year over the first half of 2013. In other words, 91.6% of our overall revenue was generated by selling cement and 8.4% by selling clinker. During the first half of 2013, the corresponding figures were 92.2% and 7.8%.

In the first half of 2014, we were able to slightly increase the average selling price for cement by RMB2.6 per tonne, compared with the corresponding period of 2013. Furthermore, we sold 2.1 million tonnes of cement and 0.4 million tonnes of clinker more than we did in the first half of 2013, representing year-over-year increase of 13.3% and 28.6% respectively. The sales volume of our cement and clinker products increased to 17.9 million tonnes and 1.8 million tonnes respectively, primarily due to the additional capacity in Liaoning acquired last year and the growing demand brought by higher infrastructure investment in Henan.

In Henan and Anhui, we sold 14.0 million tonnes of cement, increasing by 9.4% year-over-year. In Liaoning and Tianjin, we sold 3.9 million tonnes of cement, representing year-over-year growth rate of 30.0%.

Cost of Sales

In the first half of 2014, we continued our efforts in reducing unit production costs of cement and clinker by leveraging on our scale and through centralized procurement. Our unit production cost of cement further reduced. During the reporting period, our cost of sales was approximately RMB3,337.5 million, with moderate year-over-year increase of RMB418.4 million or 14.3% as compared with the first half of 2013, mainly because our sales volume of cement and clinker grew by 13.3% and 28.6%.

Our cost of sales mainly consists of the costs of raw materials, coal and electricity. In the first half of 2014, our costs of raw materials, coal and electricity as a percentage of cost of sales was 39.9%, 32.1% and 18.2%, respectively. During the period, our costs of raw materials, coal and electricity for production of cement per tonne was RMB67.6, RMB54.4 and RMB30.9, respectively, representing increase of RMB5.81, decrease of RMB4.9 and decrease of RMB0.47, respectively, as compared with the corresponding period of 2013.

Gross Profit and Gross Profit Margin

Our gross profit was approximately RMB958.7 million for the half year till 30 June 2014, representing a increase of RMB155.5 million or 19.4%, from approximately RMB803.2 million last year. Our gross profit margin increased to approximately 22.3% in the first half of 2014 from 21.6% in the first half of 2013. The increases in both gross profit and gross profit margin were primarily due to the lower cost of sales and slightly higher average selling prices of cement.

Other income and other gains and losses

Other income was approximately RMB201.9 million for the first half of 2014, representing a slight decrease of RMB7.8 million, or 3.8%, from approximately RMB209.7 million for the corresponding period in 2013. The decrease was primarily due to the decrease of interest income on bank deposits.

Selling and Distribution Expenses

Our selling and distribution expenses were approximately RMB190.1 million for the first half of 2014, representing an increase of RMB39.9 million, or 26.6%, from approximately RMB150.2 million for the first half of 2013. The increase was primarily due to an increase of packaging expenses as a result of the increase in our cement sales volume.

Administrative Expenses

Administrative expenses were approximately RMB145.7 million for the half year ended 30 June 2014, representing an increase of RMB14.0 million, or 10.6%, from approximately RMB131.7 million for the half year ended 30 June 2013. The increase was mainly the result of the employment of more professionals and the increase of fees paid to professional services to drive the growth of our business during the period.

Finance Costs

Finance costs were approximately RMB380.3 million for the first half of 2014, representing an increase of RMB38.3 million, or 11.2%, from RMB340.2 million for the first half of 2013. The increase was primarily attributable to the increase in the interest expenses paid for debentures and corporate bonds.

Profit before Taxation

As a result of the foregoing, our profit before taxation was approximately RMB436.3 million for the first half of 2014, representing an increase of approximately RMB55.2 million, or approximately 14.5%, from approximately RMB381.2 million for the first half of 2013.

Income Tax Expenses

Our income tax expenses were approximately RMB117.8 million for the first half of 2014, representing an increase of RMB13.2 million, or 12.6% from approximately RMB104.7 million for the first half 2013, which was mainly due to the increase 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 first six months of 2014 was approximately RMB327.4 million, representing an increase of RMB44.2 million, or 15.6%, from approximately RMB283.3 million in the first six months of 2013. The net profit margin was maintained at the level of 7.4%, as compared with the corresponding period of 2013.

FINANCIAL AND LIQUIDITY POSITION

Loan receivables

The entire principal and interest of loan receivables of RMB993.8 million recorded as at 31 December 2013 was collected on or before 25 March 2014.

Trade and other receivables

Trade and other receivables decreased from RMB2,822.1 million as at 31 December 2013 to RMB2,588.9 million as at 30 June 2014, mainly due to the decrease in prepayment to our suppliers.

Inventories

Inventories decreased from RMB1,311.9 million as at 31 December 2013 to RMB1,083.0 million as at 30 June 2014, primarily due to the faster inventory turnover due to our much higher sales volume in the first six months of 2014.

Cash and cash equivalents

Cash and bank balance increased from RMB1,016.3 million as at 31 December 2013 to RMB2,662.9 million as at 30 June 2014, primarily due to the accumulated cash inflows from operations during the period.

Borrowings

Total borrowings and bonds (including corporate bonds) of the Group was approximately RMB11,608.8 million as at 30 June 2014, approximately RMB1,032.9 million higher than the total borrowings and bonds of approximately RMB10,575.9 million as at 31 December 2013. Borrowings due within one year and short-term bonds (including mid-term bonds due within one year) increased from RMB6,375.9 million as at 31 December 2013 to RMB6,985.2 million as at 30 June 2014. Borrowings due after one year (including mid-term, long-term bonds and corporate bonds) increased from RMB4,200.0 million as at 31 December 2013 to RMB4,623.6 million as at 30 June 2014. Approximately RMB5,323.0 million was debts at fixed rate and due within one year; approximately RMB3,594.6 million was debts at fixed rate and due after one year.

The Group has been repaying the debts in accordance with the terms of the loan agreement. As at 30 June 2014, we had unutilized bank facilities of approximately RMB1,980.4 million.

Principal sources of liquidity of the Group

The Group's principal sources of liquidity have historically been cash generated from operations and borrowing or debts from banks and others. 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 the first half of 2014, we took strategic steps in consolidating cement producers in Liaoning market and Henan market, by acquiring two cement and clinker enterprises, comprising 1 clinker production line with an aggregate production capacity of approximately 1.0 million tonnes per annum and 2 cement production lines with an aggregate production capacity of approximately 1.6 million tonnes per annum.

Only insignificant revenue and profits from the acquired capacities were recorded into the results of the first six months ended 30 June 2014, since the transactions were just completed.

GEARING RATIO, CURRENT RATIO, QUICK RATIO, DEBT EQUITY RATIO

As at 30 June 2014, our gearing ratio was 68.7%, representing an decrease of 1 percentage point from 69.7% as at 31 December 2013. As at 30 June 2014, our current ratio was 0.8, representing an increase of 0.1 from 0.7 as at 31 December 2013; our quick ratio was 0.7, representing an increase of 0.1 from 0.6 as at 31 December 2013; our debt equity ratio was 2.2, representing a decrease of 0.1 from 2.3 as at 31 December 2013.

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 30 June 2014, our net gearing ratio was 88.1%, representing a decrease of 19.8 percentage points from 107.9% as at 31 December 2013. Net gearing ratio is calculated by dividing net borrowings by equity attributable to owners of the Company.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure during the first half of 2014 was approximately RMB284.2 million (the first half of 2013: approximately RMB1,848.9 million) and capital commitments as at 30 June 2014 was approximately RMB395.0 million (as at 31 December 2013: approximately RMB564.5 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 30 June 2014, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB3,336.13 million (as at 31 December 2013: approximately RMB2,850.3 million).

CONTINGENT LIABILITIES

As at 30 June 2014, other than contingent liabilities arising from the provision of guarantee to third parties and connected parties amounting to approximately RMB798.5 million (31 December 2013: approximately RMB798.5 million), we did not have other contingent liabilities.

SIGNIFICANT INVESTMENTS

In the first half of 2014, the Group neither held any material investment nor planned to make any material investment and acquire any capital assets in future.

MARKET RISKS

Exchange rate risk

For the six-month period ended 30 June 2014 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 minimum 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 risk 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 risk 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 30 June 2014, our Group had 8,136 employees (as at 31 December 2013: 8,086). As at 30 June 2014, the employees' cost (including remuneration) was approximately RMB190.7 million (for the same period of 2013: approximately RMB165.7 million). The remuneration policies, bonus and training programs for employees of our Group were implemented continuously according to policies disclosed in the 2013 Annual Report of the Company and no change has been made for the six-month period ended 30 June 2014.

PROSPECTS

On 5 March 2014, Chinese government officially announced to set the 2014 GDP growth target at 7.5%, a growth target considered to be necessary in order to maintain the unemployment rate in urban area not higher than 4.6% while keeping the consumer price index (CPI) below 2.1%. Although in the first quarter of 2014, China's economy grew at 7.4%, recent micro, targeted stimulus employed by the Chinese central government help raise the growth rate to 7.5% in the second quarter of this year, reaching government target.

For the rest of the year, the Chinese government is likely to continue such and even more stimulus to maintain the proper economic growth rate. In particular, increased investment in railways and reconstruction of shantytowns, as well as urbanization will secure the growth of demand for cement products. For Henan market, cement demand from rural sector will continue to be one of the main driving forces for the growth of regional cement demand. We also expect that the growing cement demand in Liaoning would maintain the strong momentum this year.

To meet the growing demand for cement, we will further 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 as compared to our major competitors in Henan and Liaoning cement markets.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

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 of six months ended 30 June 2014, the Company has adopted the code provisions set out in the Corporate Governance Code contained 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 period of the six months ended 30 June 2014.

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 set out in the Model Code throughout the six months ended 30 June 2014 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CHANGE OF DIRECTORS, MEMBERS OF AUDIT COMMITTEE AND REMUNERATION COMMITTEE

According to Article 84 of the Articles of Association of the Company, at each annual general meeting, at least one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Further, according to Article 83(3) of the Articles of Association of the Company, the Directors shall have the power from time to time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board and Directors so appointed shall hold office only till the next annual general meeting of the Company and shall then be eligible for re-election. Mr. Wang Delong, Mr. Tang Ming Chien and Mr. Ma Chun Fung Horace ceased to be directors of the Company upon completion of the annual general meeting held on 28 May 2014 ("AGM"), details of which are set out in our AGM poll result announcement dated 28 May 2014.

The following appointment of directors and changes of members of audit committee and remuneration committee were approved by the Board effective from 11 June 2014:

(i) Mr. Wang Ping ceased to be the chairman and member of the remuneration committee and was appointed as the chairman of the audit committee;

(ii) Mr. Li Jiangming was appointed as an executive director of the Company; and

(iii) Mr. Du Xiaotang was appointed as an independent non-executive director of the Company, chairman of the remuneration committee and member of the audit committee.

For further details of the Directors appointed and their respective term of appointment, please refer to our announcements dated 11 June 2014.

CONTINUING CONNECTED TRANSACTIONS

During the six months ended 30 June 2014, we have entered into the following connected transaction or continuing connected transaction (as defined under the Listing Rules).

(a) Purchase of Clinker and Sale of Limestone

Reference is made to our circular dated 25 April 2014. Unless stated otherwise, capitalized terms used in this paragraph (a) shall have the same meaning as the said circular referred to above.

On 25 March 2014, China Tianrui Group Cement Company Limited ("Tianrui Cement"), a wholly owned subsidiary of the Company, and Pingdingshan Ruiping Shilong Cement Company Limited ("Ruiping Shilong"), a company which Mr. Li Liufa ("Chairman Li") indirectly controls more than 30% of the voting power at its general meetings, entered into the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement. The transactions under both the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement constitute continuing connected transactions under the Listing Rules.

Pursuant to the Clinker Supply Framework Agreement, the aggregate annual caps of the transactions under the agreement are RMB360,000,000, RMB480,000,000 and RMB480,000,000 for each of the three years ending 31 December 2014, 2015 and 2016 respectively. Pursuant to the Limestone Supply Framework Agreement, the annual caps of the transaction under the agreement is RMB60,000,000 for each of the three years ending 31 December 2016 respectively.

For the six months ended 30 June 2014, Tianrui Cement purchased clinker from Ruiping Shilong with transaction value of approximately RMB76.7 million.

For the six months ended 30 June 2014, Tianrui Cement sold limestone to Ruiping Shilong with transaction value of approximately RMB15.8 million.

(b) Mutual guarantees

Reference is made to our circular dated 8 November 2013. Unless stated otherwise, capitalized terms used in this paragraph (b) shall have the same meaning as the said circular referred to above.

On 30 October 2013, Tianrui Cement and Tianrui Group Joint Stock Limited Company ("Tianrui Group"), a company controlled by Chairman Li, entered into a framework agreement which provides mutual guarantees (the "Framework Agreement"). The transactions under the Framework Agreement constitute continuing connected transactions under the Listing Rules.

The annual caps for Tianrui Group Guarantee are RMB5,200 million for the first 12 months and RMB6,000 million for the second 12 months. The annual caps for Tianrui Cement Guarantee are RMB2,200 million for the first 12 months and RMB3,000 million for the second 12 months.

For the six months ended 30 June 2014, according to the Framework Agreement and as approved by a special committee, Tianrui Cement (including its subsidiaries) had provided guarantees of RMB772 million in aggregate to Tianrui Group (including its subsidiaries), while Tianrui Group (including its subsidiaries) had provided guarantees of RMB2,000 million in aggregate to Tianrui Cement (including its subsidiaries).

INTERIM DIVIDEND

The Directors did not recommend the declaration of any interim dividend for the six months ended 30 June 2014 (30 June 2013: Nil).

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 2014.

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, 29 August 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. Li Jiangming and Mr. Xu Wuxue

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