THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Tianrui Group Cement Company Limited (the "Company"), you should at once hand this circular and accompanying form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company nor is it calculated to invite any such offer.

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)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 100% INTEREST IN HENAN YONGAN CEMENT COMPANY LIMITED AND 55% INTEREST IN TIANRUI XINDENG ZHENGZHOU CEMENT COMPANY LIMITED; (2) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; (3) APPLICATION FOR WHITEWASH WAIVER; AND (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders

TC CAPITAL

Financial Adviser to the Company

中州國際融資有限公司
Central China International Capital Limited

Capitalised terms used on this cover have the same meanings as those defined in this circular, unless the context requires otherwise. A letter from the Board is set out on pages 8 to 29 of this circular. A letter from the Listing Rules IBC is set out on pages 30 to 31 of this circular. A letter from the Takeovers Code IBC is set out on pages 32 to 33 of this circular. A letter from the Independent Financial Adviser to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders, containing its advice to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders is set out on pages 34 to 69 of this circular.

A notice convening the EGM of the Company to be held at 2:30 p.m. on 19 January 2017 at Room 1, United Conference Centre Limited, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use by the Shareholders for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

30 December 2016

CONTENT

Definitions 1

Letter from the Board 8

Letter from the Listing Rules IBC 30

Letter from the Takeovers Code IBC 32

Letter from TC Capital 34

Appendix I — Financial Information of the Group I-1

Appendix II — Financial Information of the Target Companies II-1

Appendix III — Valuation Report on Properties of the Group III-1

Appendix IV — Valuation Report on Properties Interests of the Target Companies IV-1

Appendix V — Valuation Report on the Target Companies V-1

Appendix VI — General Information VI-1

Notice of EGM EGM-1

In this circular, unless the context otherwise requires, capitalised terms used shall have the following meanings:

"Acquisition"	the acquisition by the Company of the First Sale Shares and the Second Sale Shares under the Acquisition Agreement
"Acquisition Agreement"	the share purchase agreement in relation to the Acquisition entered into between the Company and Tianrui Group Company on 25 November 2016
"acting in concert"	has the same meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement of the Company dated 25 November 2016 in relation to, among others, certain details of the Acquisition
"associate"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day on which commercial banks are open for general commercial business in Hong Kong (excluding Saturdays or Sundays or public holidays or a day on which a tropical cyclone warning No. 8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.)
"BVI"	the British Virgin Islands
"Chairman Li"	Mr. Li Liufa, the chairman of the Board, a non-executive director of the Company and one of the Controlling Shareholders
"Company"	China Tianrui Group Cement Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange
"Completion"	completion of the Acquisition under the Acquisition Agreement
"connected person(s)"	has the meaning ascribed to it under Chapter 14A of the Listing Rules
"Consideration"	RMB919,000,000, being the total consideration for the transfer and acquisition of the Sale Shares
"Consideration Shares"	537,381,647 Shares to be allotted and issued by the Company to Yu Kuo at the Issue Price for the satisfaction of the Consideration upon Completion

"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules from time to time and refers to each of the Controlling Shareholders (namely, Chairman Li, Mrs. Li, Tianrui Group Company, Tianrui International, Holy Eagle, Yu Qi and Yu Kuo) in the context of this circular
"Director(s)"	director(s) of the Company from time to time
"EGM"	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Acquisition Agreement and the respective transactions contemplated thereunder, the Whitewash Waiver and the Specific Mandate
"Executive"	the executive director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director
"First Sale Shares"	100% of the equity interest in Yongan Cement
"Group"	the Company and its subsidiaries prior to completion of the Acquisition
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Holy Eagle"	Holy Eagle Company Limited (神鷹有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by Tianrui International
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IBC"	the Listing Rules IBC and the Takeovers Code IBC
"IFRS"	the International Financial Reporting Standards issued by the International Accounting Standards Board
"Independent Financial Adviser" or "TC Capital"	TC Capital International Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise (i) the Listing Rules IBC and the Independent Shareholders in respect of the Acquisition and the Specific Mandate; and (ii) the Takeovers Code IBC and the Independent Shareholders in respect of the Acquisition, the Whitewash Waiver and the Specific Mandate

"Independent Shareholders"	Shareholders other than (i) Yu Kuo, (ii) Wan Qi (a party who is presumed to be acting in concert with Yu Kuo under the Takeovers Code), (iii) parties that are acting in concert with Yu Kuo or Wan Qi and (iv) those who are interested or involved in the Acquisition and/or the Whitewash Waiver
"Independent Third Party"	person(s) who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is a third party independent of the Company and its connected persons
"Interim Results"	The interim results for the six months ended 30 June 2016 of the Company which have been published on 22 September 2016
"Issue Price"	HK$1.92 per Share
"Last Trading Day"	24 November 2016, being the last day on which the Shares were traded on the Stock Exchange prior to the release of the Announcement
"Latest Practicable Date"	23 December 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Committee"	has the meaning ascribed to it under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Listing Rules IBC"	an independent board committee, comprising all the independent non-executive Directors formed pursuant to the Listing Rules to advise the Independent Shareholders as to whether the Acquisition and the Specific Mandate are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to make a recommendation to the Independent Shareholders, taking into account the advice from the Independent Financial Adviser
"Long Stop Date"	the date falling on the 180th day after the date of the Acquisition Agreement or such later date as the Company and Tianrui Group Company may agree in writing pursuant to the Acquisition Agreement
"Mrs. Li"	Ms. Li Fengluan, the spouse of Chairman Li and one of the Controlling Shareholders
"Non-competition Deed"	the non-competition deed dated 16 October 2014 and approved in the extraordinary general meeting of the Company on 17 November 2014, particulars of which are set out in the circular of the Company dated 31 October 2014

"Option"	the option in favour of the Company over the business subsequently developed by the Controlling Shareholders, more details of which are set out in the circular of the Company dated 31 October 2014
"PRC"	the People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan for the purposes of this circular
"Relevant Period"	the period beginning from 25 May 2016, being six months immediately prior to the date of the Announcement and ending on and including the Latest Practicable Date
"Relevant Securities"	has the meaning ascribed to it under Note 4 to Rule 22 of the Takeovers Code
"RMB"	Renminbi, the lawful currency of the PRC
"Ruiping Power"	Pingdingshan Ruiping Power Company Limited (平頂山瑞平煤電有限公司), a company incorporated in the PRC with limited liability
"Ruiping Shilong"	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司), a company incorporated in the PRC with limited liability
"Sale Shares"	the First Sale Shares and the Second Sale Shares
"Second Sale Shares"	55% of the equity interest in Xindeng Cement
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of the Company with a nominal value of HK$0.01 each
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 12 December 2011, the principal terms of which are set out in the section headed "Statutory and General Information — D. Other Information" in Appendix VI to the prospectus of the Company dated 14 December 2011
"Shareholder(s)"	the holder(s) of the Share(s)
"Specific Mandate"	the specific mandate to allot and issue the Consideration Shares to be sought from the Independent Shareholders at the EGM to satisfy the consideration of the Acquisition
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"subsidiary"	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers
"Takeovers Code IBC"	an independent board committee, comprising the non-executive Directors, namely, Mr. Li Heping and Mr. Yang Yongzheng, and all the independent non-executive Directors formed pursuant to the Takeovers Code to advise the Independent Shareholders regarding the Acquisition, the Whitewash Waiver and the Specific Mandate and to make a recommendation to the Independent Shareholders as to voting, taking into account the advice from the Independent Financial Adviser
"Target Companies"	collectively, Yongan Cement and Xindeng Cement
"Tianrui Cement"	Tianrui Group Cement Company Limited (天瑞集團水泥有限公司), a wholly foreign-owned enterprise established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Tianrui Foundry"	Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司), a company established in the PRC with limited liability and a subsidiary of Tianrui Group Company
"Tianrui Group Company"	Tianrui Group Company Limited (天瑞集團股份有限公司), a company established in the PRC with limited liability and a company held as to 70% and 30% by Chairman Li and Mrs. Li respectively
"Tianrui (HK)"	China Tianrui (Hong Kong) Company Limited (中國天瑞(香港)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
"Tianrui International"	Tianrui (International) Holding Company Limited (天瑞(國際)控股有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by Tianrui Group Company
"Tianrui Travel"	Tianrui Group Travel Development Company Limited (天瑞集團旅遊發展有限公司), a company established in the PRC with limited liability and a subsidiary of Tianrui Group Company

"Valuation Report"	the Valuation report considering the market value of 100% of the equity interest in Yongan Cement and 55% of the equity interest in Xindeng Cement issued by Roma Appraisals Limited dated 30 December 2016, an independent valuer
"Wan Qi"	Wan Qi Company Limited, a company incorporated in the BVI with limited liability, which holds approximately 28.71% of the issued share capital of the Company and is wholly owned by Mr. Tang Ming Chien as at the date of this circular
"Whitewash Waiver"	waiver as may be granted by the Executive in favour of Yu Kuo in respect of its obligations to extend a mandatory general offer to acquire all the issued Shares (excluding the issued Shares which are owned or agreed to be acquired by it or parties acting in concert with it) in accordance with Note 1 on Dispensation from Rule 26 of the Takeovers Code as a result of the Company allotting and issuing the Consideration Shares to Yu Kuo at Completion
"Xindeng Cement"	Tianrui Xindeng Zhengzhou Cement Company Limited (天瑞新登鄭州水泥有限公司), a company established in the PRC with limited liability which is held as to 55% by Tianrui Group Company and 45% by Zhengzhou Xindeng Enterprise Group Company Limited (鄭州新登企業集團有限公司), an Independent Third Party
"Yongan Cement"	Henan Yongan Cement Company Limited (河南永安水泥有限責任公司), a company established in the PRC with limited liability which is wholly owned by Tianrui Group Company
"Yu Kuo"	Yu Kuo Company Limited (煜闊有限公司), a company incorporated in the BVI with limited liability, which is an intermediate controlling shareholder of the Company holding 39.57% of the issued share capital of the Company and the issued share capital of which is owned as to 51.25% by Holy Eagle and 48.75% by Yu Qi
"Yu Qi"	Yu Qi Company Limited (煜祺有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by Tianrui International

"Zhong Yuan Cement"	Zhong Yuan Cement Company Limited (中原水泥有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"%"	per cent

For illustration purpose, amounts in RMB have been translated into HK$ at the exchange rate of HK$1.00 = RMB0.89070 in this circular.

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)

Chairman:
Mr. Li Liufa

Executive Directors:
Mr. Xu Wuxue
Mr. Li Jiangming

Non-executive Directors:
Mr. Li Heping
Mr. Yang Yongzheng
Mr. Li Liufa

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

Registered Office:
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in the PRC:
No. 63 Guangcheng Road East
Ruzhou City
Henan Province
PRC

Place of Business in Hong Kong:
Room 2005A, 20/F., Lippo Centre Tower 2
89 Queensway, Admiralty

30 December 2016

To the Shareholders

Dear Sir or Madam,

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 100% INTEREST IN HENAN YONGAN CEMENT COMPANY LIMITED AND 55% INTEREST IN TIANRUI XINDENG ZHENGZHOU CEMENT COMPANY LIMITED; (2) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; (3) APPLICATION FOR WHITEWASH WAIVER; AND (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to, among others, the Acquisition and the application for the Whitewash Waiver.

The purposes of this circular are to provide you with, among other things, (i) further details of the Acquisition; (ii) details of the application for the Whitewash Waiver; (iii) details of the Specific Mandate; (iv) further details of the Target Companies; (v) a letter of recommendation from the Listing Rules IBC to the Independent Shareholders; (vi) a letter of recommendation from the Takeovers Code IBC to the Independent Shareholders; (vii) a letter of advice from Independent Financial Adviser to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in respect of the Acquisition Agreement and all transactions contemplated thereunder (including the issuance of Consideration Shares under the Specific Mandate) and the Whitewash Waiver; (viii) a notice of the EGM; and other information as required under the Listing Rules and the Takeovers Code, in order to enable you to make an informed decision on how to vote at the EGM.

DISCLOSEABLE AND CONNECTED TRANSACTION

The Acquisition

Acquisition Agreement

Date:	25 November 2016 (after trading hours)
Parties:	(a) the Company (as purchaser); and
	(b) Tianrui Group Company (as vendor)

Assets to be acquired

Tianrui Group Company conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Shares which represent 100% equity interest in Yongan Cement and 55% equity interest in Xindeng Cement.

Conditions

The Acquisition is conditional upon, among others:

(a) the Company being reasonably satisfied with the results of such enquiries, investigations and due diligence reviews of the business affairs, operations and financial position of Yongan Cement and Xindeng Cement by the Company or any of its officers, employees, agents, professional advisers or other agents as the Company in its discretion deems necessary, desirable or appropriate to undertake;

(b) the Independent Shareholders having approved at the EGM (i) the entering into of the Acquisition Agreement; (ii) the allotment and issue of the Consideration Shares; (iii) all other transactions contemplated under the Acquisition Agreement; and (iv) the Whitewash Waiver, in accordance and in compliance with the Takeovers Code and the Listing Rules;

(c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange, and such approval shall not be revoked prior to Completion;

(d) the warranties under the Acquisition Agreement remaining true and accurate in all respects and not misleading in any respect as of the date of Completion by reference to the facts and circumstances subsisting thereat;

(e) no notice, order, judgment, action or proceeding of any court, arbitrator, authority, statutory or regulatory body having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the Acquisition Agreement or which is reasonably likely to materially and adversely affect the right of the Company to own the legal and beneficial title to the Sale Shares, free from encumbrances, following Completion;

(f) save for the approvals and consents referred to in (b) and (c) above, all necessary approvals and consents required to be obtained by either of the parties to the Acquisition Agreement from any authority or other third party in respect of the Acquisition Agreement and/or the transactions contemplated thereunder having been obtained unconditionally and irrevocably, or where such approval or consent is given subject to conditions, on such conditions as are acceptable to the Company;

(g) Tianrui Group Company having complied with all its obligations under the Acquisition Agreement which are required to be complied with before Completion;

(h) the Whitewash Waiver having been granted;

(i) the Company having received a legal opinion issued by a PRC legal adviser appointed by the Company in such form and substance to the satisfaction of the Company; and

(j) Tianrui Group Company having become and remained as the registered owner of the Sale Shares which shall be free from any encumbrances prior to Completion.

If any of the conditions above is not satisfied or waived on or before the Long-Stop Date, the Acquisition Agreement shall lapse automatically, without prejudice to the rights and liabilities of any party accrued prior to such lapse. As at the Latest Practicable Date, none of the conditions set out above has been satisfied or waived. In respect of the condition set out in (f) above, the Directors confirm that there are no other required approvals and consents identified as at the Latest Practicable Date save for the approvals and consents referred to in the conditions set out in (b) and (c) above.

Notwithstanding anything to the contrary, the conditions above (other than the conditions set out in (b), (c) and (h) above) may be waived by the Company unilaterally; and Tianrui Group Company is not entitled to waive any of the conditions set out above.

Consideration

The Consideration for the Sale Shares shall be in total RMB919,000,000. The Consideration for the Acquisition will be settled by allotment and issue of the Consideration Shares to Yu Kuo (an indirect wholly-owned subsidiary of Tianrui Group Company), credited as fully paid, at the Issue Price upon Completion. The Consideration which was arrived after arm's length negotiations between the parties to the Acquisition Agreement and by reference to a number of factors, including (1) the net asset value of Yongan Cement as being RMB587,686,000 as of 30 June 2016 as shown in the audited financial statements prepared in accordance with IFRS; (2) the net asset value of the Xindeng Cement as being RMB498,453,000 as of 30 June 2016 as shown in the audited financial statements prepared in accordance with IFRS; (3) the total consideration of RMB1,035,000,000 and RMB390,605,000 paid by Tianrui Group Company to acquire the First Sale Shares and the Second Sale Shares respectively in the first instance; and (4) the valuation of 100% of the equity interest in Yongan Cement and 55% of the equity interest in Xindeng Cement set out in the Valuation Report.

The Directors have duly considered the losses of Yongan Cement in both 2014, 2015 and the first six months of 2016 and they are of the view that the poor performance in years before 2015 was driven by (1) poor operational management of their previous holding companies leading to low production efficiency and high production costs; and (2) the relatively low quality of cement being produced which negatively impacted its brand image and consequently limited its customer base. However, the Directors are of the view that since the acquisition by Tianrui Group Company in 2015, Yongan Cement has attained considerable progress in its operational performance, the amount of loss has been substantially reduced from RMB157.4 million in 2014 to RMB29.5 million in 2015. The Directors, after duly considering the factors mentioned above, are of the view that the improving financial performance of Yongan Cement together with the synergy benefits as a result of the Acquisition set out further in this circular outweigh the costs involved.

The Company has appointed Roma Appraisals Limited (the "**Valuer**"), an independent valuer to provide the valuation of the Target Companies. According to the Valuer, the valuation of 100% of the equity interest in Yongan Cement and 55% of the equity interest in Xindeng Cement were RMB866,000,000 and RMB404,000,000, respectively as of 30 September 2016. The valuation in the Valuation Report, the full text of which is attached as Appendix V to this circular, was determined based on a market-based approach, which considers the historical price-to-book ratios (P/B) of comparable cement manufacturers with principal business in the PRC.

The issuance of the Consideration Shares instead of cash as the consideration for the Acquisition does not require cash outflow from the Company and would not strain the Company's working capital which allows sufficient and healthy cashflow for financing the Company's other projects.

The Board (excluding (i) the non-executive Directors, namely, Mr. Li Heping and Mr. Yang Yongzheng, and all the independent non-executive Directors whose view is set out in more detail in the letter from the Listing Rules IBC and the Letter from the Takeovers Code

IBC after considering the advice of the Independent Financial Advisor and (ii) Chairman Li and Mr. Li Jiangming, an executive Director who is the younger brother of Mrs. Li, both of whom have abstained from voting) is of the view that the consideration for the Acquisition and other terms of the Acquisition Agreement are fair and reasonable, and were determined after arm's length negotiation between the parties and would be in the interest of the Company and the Shareholders as a whole.

Issue Price

The Issue Price shall represent the average closing price for the 10 consecutive trading days immediately preceding the date of the Acquisition Agreement. The Directors are of the view that using a 10-consecutive-trading-day period in determining the Issue Price would (1) reduce the impact of short-term market volatility, for example, a 5-consecutive-trading-day average price would be more vulnerable than a 10-consecutive-trading-day period to the impact of daily fluctuations of the trading price; and (2) better reflect the latest market conditions as compared to the use of a longer period. The Directors are of the view that such pricing method (i.e. using the average closing price for the 10-consecutive-trading-day period) would be more fair and representative of the recent market valuation of the Company's shares.

Based on the closing prices for the 10 consecutive trading days immediately preceding the date of the Acquisition Agreement, the Issue Price shall be HK$1.92. An exchange rate of HK$1 for RMB0.89070 shall be adopted for calculating the number of the Consideration Shares to be issued.

A total of 537,381,647 Shares will be allotted and issued by the Company to satisfy the Consideration, which represent approximately 22.38% of the issued share capital of the Company as at the Latest Practicable Date and approximately 18.29% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date to Completion).

The Issue Price represents:

(i) no premium/discount to the closing price of HK$1.92 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) no premium/discount to the average closing price of HK$1.92 per Share for the last 5 consecutive trading days up to and including the Last Trading Day; and

(iii) no premium/discount to the average closing price of HK$1.92 per Share for the last 10 consecutive trading days up to and including the Last Trading Day.

The Issue Price was arrived at after negotiations between the Company and Tianrui Group Company with reference to, among others, the liquidity and recent trading performance of the Shares. As compared to the latest net asset value per Share of HK$3.16 as of 30 June 2016, being the period end date in respect of the Group's interim report, the Issue Price represents a discount of 39.2%.

Ranking of the Consideration Shares

The Consideration Shares, when allotted and issued, will rank equally in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares.

Mandate to issue the Consideration Shares

The Consideration Shares will be allotted and issued under the Specific Mandate and is subject to the approval of the Independent Shareholders at the EGM.

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

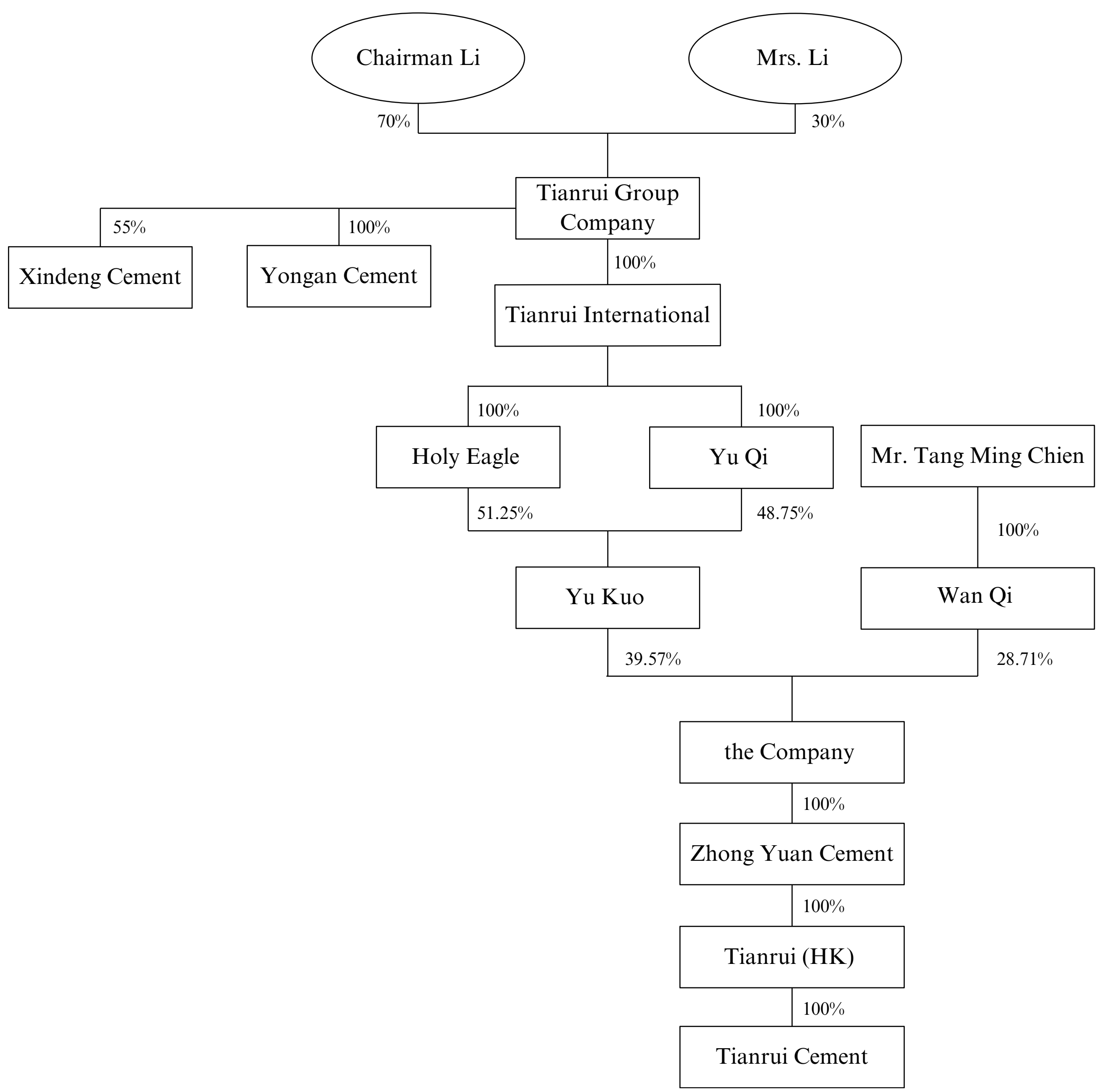
Completion

Subject to the fulfilment (or waiver as the case may be) of the conditions of the Acquisition on or before the Long Stop Date, Completion shall take place on the fifth Business Day after the satisfaction of the conditions set out in paragraphs (b), (c) and (h) above under the heading "Conditions" or such other date as may be agreed between the Company and Tianrui Group Company in writing in accordance with the Acquisition Agreement.

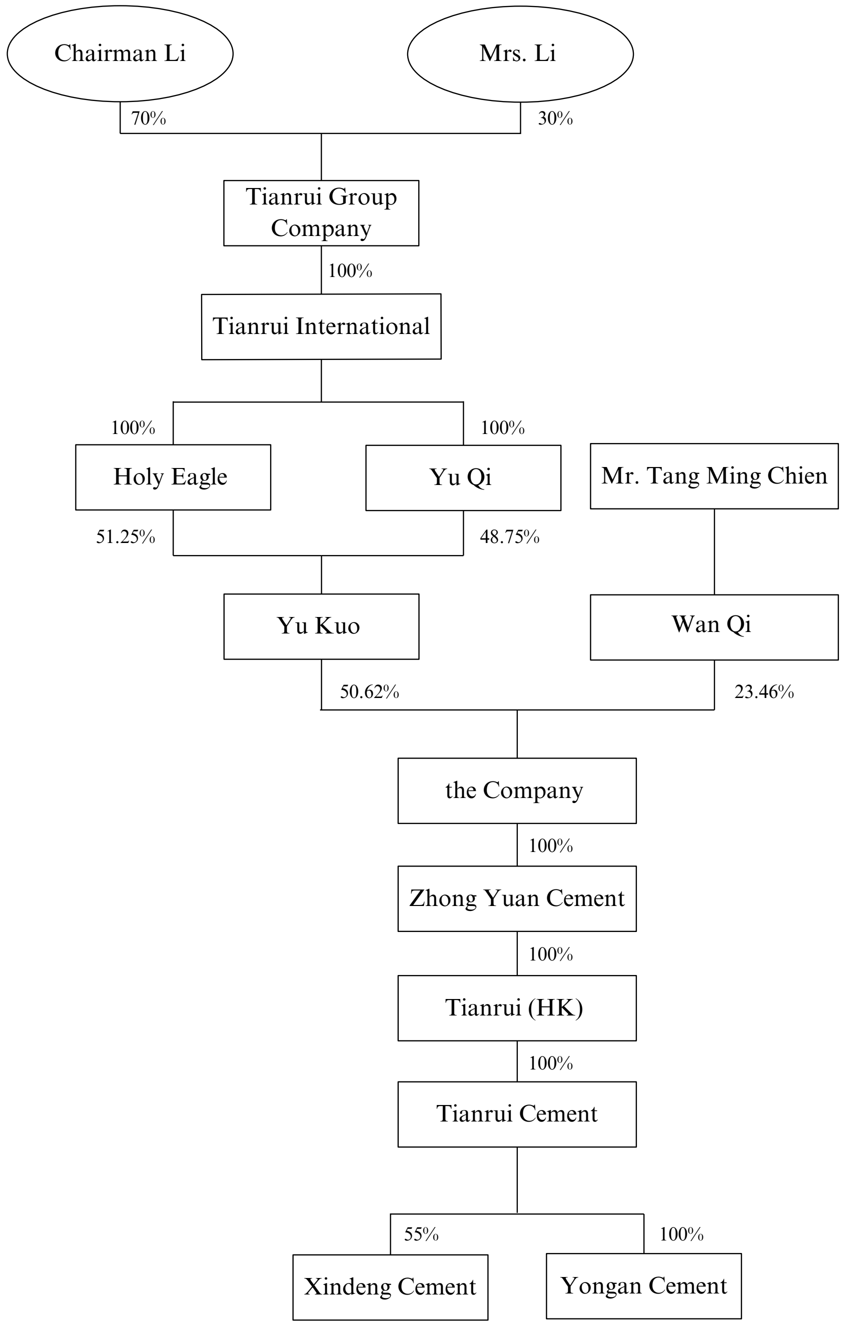
CORPORATE STRUCTURE

The corporate structure immediately before and after Completion is as follows:

Immediately before Completion



Immediately after Completion (assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date to Completion)



INFORMATION OF THE TARGET COMPANIES

Yongan Cement

Yongan Cement was established in the PRC in May 2007 as a limited liability company with a registered capital of RMB572,600,000 as at the Latest Practicable Date. Yongan Cement is headquartered in Gongyi City, Henan Province, the PRC and is principally engaged in the manufacture and sale of clinker and cement in Gongyi City and Luoyang City of Henan Province. Yongan Cement owns a piece of land of approximately 128,321 square meters in Zhi Tian town, Gong Yi City, Henan Province, upon which its principal factories and manufacture base are situated.

Yongan Cement also holds a mining licence with respect to limestone for cement manufacture (水泥用石灰岩). The limestone site is in the production stage and is situated in Gong Yi City, Henan Province with an area of approximately 2.5695 km^2 and its mining licence has a validity period from December 2013 to December 2043. All the limestone of the said limestone site is expected to continue its current utilization for the manufacture activities of Yongan Cement after Completion.

Yongan Cement has been awarded the National Certificate for the Manufacture of Industrial Products (全國工業產品生產許可證) (the "**Manufacture Certificate**") by the PRC General Administration of Quality Supervision, Inspection and Quarantine (中華人民共和國國家質量監督檢驗檢疫總局) for a validity period expiring in May 2017. Yongan Cement would not be allowed to manufacture and engage in sales or operation activities of the industrial products without a valid Manufacture Certificate and in that connection Yongan Cement has made an application to the relevant authority in December 2016 for the renewal of the Manufacture Certificate for a period of 5 years. According to the Regulations on the Administration of Licenses for Industrial Products (工業產品許可證管理條例), the relevant authority shall provide a decision, whether or not approval is granted in respect of the renewal of the Manufacture Certificate, to qualified applicants within 60 days of the application and if approval is granted, the relevant authority shall issue such Manufacture Certificate within 10 days after such approval. As at the Latest Practicable Date, Yongan Cement is still waiting for the approval in respect of such renewal, and there is no fact or circumstance known to the Directors that would render such renewal application unsuccessful. In addition, the Company will not (i) be satisfied with the results of the enquiries, investigation and due diligence reviews of the business affairs, operations and financial position of Yongan Cement which is one of the conditions precedent to Completion under the Acquisition Agreement, and (ii) proceed to Completion unless the Manufacture Certificate has been renewed successfully before its expiry date. The Directors further confirm that the Company will not waive the requirement in relation to the renewal of the Manufacture Certificate set out above.

The manufacture of 32.5 composite portland cement (32.5級複合硅酸鹽水泥) by Yongan Cement has been certified as Nationwide Encouraged Recycling Technology (國家鼓勵的資源綜合利用) by Henan Development and Reform Commission (河南省發展和改革委員會) in December 2014. To the best knowledge of the Directors, Yongan Cement is the only large cement producer in Gongyi City that has a large-scale new suspension pre-heater dry process clinker production line equipped with a residual heat power generation system, which allows a reduction of energy cost and hence improves the cost effectiveness of production of Yongan Cement. The Directors are of the view that it would be an essential comparative advantage over the other cement producers equipped with only cement grinding facilities in Gongyi City and such energy efficiency advantage is in compliance with the Group's strategy to increase pricing competitiveness.

Tianrui Group Company has entered into a share transfer agreement dated 9 January 2015 with Henan Hongqi Coal Company Limited (河南紅旗煤業股份有限公司) ("**Henan Hongqi**") and Gongyi Pingan Transport Company Limited (鞏義市平安運輸有限公司) ("**Gongyi Pingan**"), pursuant to which Tianrui Group Company agreed to purchase 90% and 10% equity interest in Yongan Cement from Henan Hongqi and Gongyi Pingan for a consideration of RMB940,000,000 and RMB45,000,000 respectively, subject to a further undertaking to settle a bank loan of RMB50,000,000 owed by Yongan Cement. As such, the total cost payable by Tianrui Group Company with respect to the First Sale Shares was RMB1,035,000,000.

Yongan Cement suspended the production of clinker in February 2016 as a result of the environmental protection inspection conducted by the government. To the best knowledge and information of the Directors, Yongan Cement has obtained the permission for industrial waste sewage and emission in August 2016 for a validity period expiring in August 2019 and the production of clinker has since September 2016 resumed normal operation.

As at the Latest Practicable Date, Tianrui Group Company was the registered owner of 100% equity interest in Yongan Cement. The Company will nominate Tianrui Cement to be the registered owner of the First Sale Shares. Following Completion, Yongan Cement will become an indirect wholly owned subsidiary of the Company and its financials are expected to be consolidated into the accounts of the Company.

Xindeng Cement

Xindeng Cement was established in the PRC in March 2008 as a limited liability company with a registered capital of RMB294,667,600 as at the Latest Practicable Date. Xindeng Cement is headquartered in Dengfeng City, Henan Province, the PRC and is principally engaged in the manufacture and sale of clinker and cement in Dengfeng City and Zhengzhou City of Henan Province. Xindeng Cement owns a piece of land of approximately 201,059.9 square meters in Xuan Hua Town, Dengfeng City, Henan Province, at which its principal factories and manufacture base are situated. Xindeng Cement is a clinker and cement producer in Dengfeng City, Henan Province which is one of the four large-scale cement and clinker producers owning a clinker production line with designed daily capacity to produce approximately 5,000 tonnes of clinker and is equipped with residual heat power generation system.

Xindeng Cement also holds a mining licence with respect to limestone for cement manufacture (水泥用石灰岩). The limestone sites are in the production stage and are situated in Xuan Hua Town and Xu Zhuang Town, Dengfeng City, Henan Province, of which the area of the site in Xuan Hua town is approximately 10.6821 km^2 and its mining licence has a validity period from November 2015 to June 2037; whereas the area of the site in Xu Zhuang Town is approximately 4.6544 km^2 and its mining licence has a validity period from November 2015 to July 2038. All the limestone of the said limestone sites are expected to continue its utilization of the manufacture activities of Xindeng Cement after Completion.

Xindeng Cement has been awarded the National Certificate for the Manufacture of Industrial Products (全國工業產品生產許可證) by the PRC General Administration of Quality Supervision, Inspection and Quarantine (中華人民共和國國家質量監督檢驗檢疫總局) for a validity period expiring in January 2019. The manufacture of portland cement clinker (硅酸鹽水泥熟料), 32.5 composite portland cement (32.5級複合硅酸鹽水泥) and 42.5 normal portland cement (42.5級複合硅酸鹽水泥) by Xindeng Cement have been certified as Nationwide Encouraged Recycling Technology (國家鼓勵的資源綜合利用) by Henan Development and Reform Commission (河南省發展和改革委員會) in July 2013.

Tianrui Group Company has entered into a share transfer agreement dated 29 June 2015 and a capital increase agreement dated 22 December 2015 with Zhengzhou Xindeng Enterprise Group Company Limited (鄭州新登企業集團有限公司) ("**Xindeng Group**"), pursuant to which Tianrui Group Company purchased 49% equity interest in Xindeng Cement from Xindeng Group and increased its shareholding further by 6% through capital increment for a consideration of RMB307,160,000 and RMB83,445,000, respectively. As such, the total cost payable by Tianrui Group Company with respect to the Second Sale Shares was RMB390,605,000.

As at the Latest Practicable Date, Tianrui Group Company was the registered owner of 55% equity interest in Xindeng Cement. The Company will nominate Tianrui Cement to be the registered owner of the Second Sale Shares. Following Completion, Xindeng Cement will become a subsidiary of the Company and its financials are expected to be consolidated into the accounts of the Company.

FINANCIAL INFORMATION OF THE TARGET COMPANIES

The audited financial information of Yongan Cement prepared in accordance with the IFRS is set out below.

	For the year ended 31 December 2014 *(RMB'000)*	**For the year ended 31 December 2015** *(RMB'000)*	**For the Six months ended 30 June 2016** *(RMB'000)*
Revenue	260,736	244,386	89,203
Net loss before tax	157,361	29,521	17,176
Net loss after tax	157,361	29,521	17,176

The audited total assets and the audited net assets of Yongan Cement as at 30 June 2016 are approximately RMB691,036,000 and RMB587,686,000 respectively.

The audited financial information of Xindeng Cement prepared in accordance with the IFRS is set out below.

	For the year ended 31 December 2014 *(RMB'000)*	For the year ended 31 December 2015 *(RMB'000)*	For the Six months ended 30 June 2016 *(RMB'000)*
Revenue	351,735	269,147	161,672
Net profit before tax	30,482	29,736	19,247
Net profit after tax	22,622	21,530	14,380

The audited total assets and the audited net assets of Xindeng Cement as at 30 June 2016 are approximately RMB575,929,000 and RMB498,453,000, respectively. Full text of the audited financial statements for the years ended 31 December 2013, 2014 and 2015; and the six months period ended 30 June 2016 of each of the Target Companies are set out in Appendix II to this circular.

INFORMATION ON THE PARTIES TO THE ACQUISITION

Tianrui Group Company is a company established in the PRC with limited liability and held as to 70% by Chairman Li and 30% by Mrs. Li, who are interested in different businesses such as foundry business, aluminum business, tourism and hotel business; and hold indirect equity interest in Ruiping Shilong which is involved in the production, sale and distribution of clinker.

The Group is principally engaged in businesses ranging from excavation of limestone, to production, sale and distribution of clinker and cement.

NON-COMPETITION DEED AND REASONS FOR THE ACQUISITION

References are made to the announcement of the Company dated 9 September 2015 regarding, among others, the proposed acquisition of 100% equity interest in Yongan Cement and the announcement of the Company dated 24 March 2016 regarding, among others, the subsequent termination of such proposed acquisition due to the changes in market circumstances (the "**Terminated Acquisition**").

In the first quarter of 2016, the market prices of the cement market in Henan region was going downtrend, and there was a possibility of recording further decrease. The Directors confirm that it was against the background of this uncertain market that, the Board decided to terminate the Terminated Acquisition. Since July 2016, the sale prices of cement and clinker in the Henan region have improved from the market low and the sale prices have increased more than RMB100 per tonne on average from approximately RMB228 in July 2016 (according to PRC cement industry website (www.ccement.com)) following the reform policies implemented by the PRC government.

In addition to the aforementioned improvement of market conditions, given the geographical locations of the production sites of Yongan Cement and Xindeng Cement set out under the heading "Information of the Target Companies" above and the strategic significance of the Acquisition for reasons set out below, the Board (excluding (i) the non-executive Directors, namely, Mr. Li Heping and Mr. Yang Yongzheng, and all the independent non-executive Directors whose view is set out in more detail in the letter from the Listing Rules IBC and the letter from the Takeovers Code IBC after considering the advice of the Independent Financial Advisor and (ii) Chairman Li and Mr. Li Jiangming, an executive Director who is the younger brother of Mrs. Li, both of whom have abstained from voting) is of the view that the Acquisition aligns with the business strategy of the Group and it would help to expand market coverage of the Group to regional markets such as Luoyang City, Gongyi City and Dengfeng City, and would help to expand the defense line for its core market in Zhengzhou City, and would further create synergy with the existing markets in Henan Province.

Although the Group has a dominant market position in key markets, such as Zhengzhou City, Xuchang City and Pingdingshan City in Henan Province, the Company has not yet developed the market coverage and comparative advantage in markets such as Luoyang City, which is one of the core development districts in Henan Province. With the production facilities of Yongan Cement and Xindeng Cement located (i) within approximately 60 kilometres from each other, and (ii) within approximately 50 kilometres from both Zhengzhou City and Luoyang City, the Acquisition would allow the Group to further expand its market coverage and supplement and create synergy with the Group's existing key markets in Henan Province by (i) reducing competition in the Group's core market as the Target Companies' market coverage has a degree of overlap with that of the subsidiaries of the Group. In addition, the Directors consider that simultaneous acquisition of the Target Companies will enable the Group to manage the current competitive conflicts between the two Target Companies which would in turn improve the Group's market coverage and bargaining power in the market of Henan Province, (ii) enabling the Group to reach new customers in addition to the Target Companies' existing customers through close collaboration between the Target Companies (with geographical advantage) and other subsidiaries of the Group (which can provide greater support in terms of quality control, logistics, supply and financial resources), enabling the Group after the Acquisition to bid for and take part in large scale infrastructure projects involving new customers in the expanded regional markets, (iii) expanding the Group's capacity and capability to serve more tenders relating to infrastructure projects within the Group's existing core markets, and (iv) lowering the Group's unit production and operational cost as a whole by means of sharing the same regional sale force and the same group of raw material and coal suppliers with the Target Companies, such benefits are in compliance with the Group's strategy to have its cement grinding facilities located strategically in proximity to its end markets with the aims to lower transportation costs and increase pricing competitiveness. The Directors are also of the view that the Company does not have concentration risk arising from the Acquisition since the Company has minimal market coverage in markets covered by the Target Companies described above. Further, the Company has previously considered other acquisition opportunities in the proximity of Dengfeng City, which did not materialise because the Company chose not to proceed with such acquisition after considering factors such as complexity of the acquisition process, production capacity of the proposed targets and compliance with the business strategy of the Group.

As for the reasons to acquire the controlling interests in the Target Companies simultaneously, given (i) the synergy benefits and the strategic significance of acquiring the Target Companies set out above, (ii) the acquisition of the First Sale Shares and the Second Sale Shares involves the same vendor and purchaser and the terms of the Acquisition Agreement were determined after arm's length negotiation between the parties, and (iii) the possible increase of administrative and financial burden on the Company for separate acquisitions of the First Sale Shares and the Second Sale Shares taking into account of the time cost for conducting negotiations between the parties for two separate acquisitions and the possible additional time and expense in complying with the relevant legal and regulatory requirements and having to seek separate approval from the Shareholders on each of the two acquisitions, the Directors are of the view that simultaneous acquisition of the First Sale Shares and the Second Sale Shares is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Further, the Consideration of the Acquisition which is lower than the total consideration of RMB1,425,605,000 paid by Tianrui Group Company for the acquisition of the First Sale Shares and the Second Sale Shares in the first instance, is in compliance with the Non-competition Deed which provides that any acquisition by the Company upon the exercise of any Option to acquire business (the "**New Business**") or any interest in the New Business will be on no less favourable terms than the acquisition by the Controlling Shareholders in the first instance. The acquisition of the equity interests in the Target Companies by Tianrui Group Company in the first instance had been approved by the independent non-executive Directors in accordance with the Non-competition Deed.

The independent non-executive Directors have duly evaluated the viability to exercise the Option under the Non-competition Deed taking into account the factors they consider relevant, including feasibility studies, costs of establishing a new company with similar size, estimated profitability, commercial and counterparty risks, compliance with the business strategy of the Group, possible synergy with the Group's operation as a result of the Acquisition, the financial resources available to the Group and the relevant legal, regulatory and contractual requirements.

The Controlling Shareholders are interested in other competing business in addition to its interests in the Target Companies. The independent Non-executive Directors have evaluated the viability of exercising the Option to acquire other competing business after taking into account the following principal factors: (1) whether the interest in competing business represents a majority shareholding interest whereby the Company can exercise control in management; and (2) the financial performance of the competing business.

As set out in the section headed "Appendix VI — 5. Directors' Interests in Competing Interests" in this circular, the Controlling Shareholders hold interest in other competing business in addition to the Target Companies, the reasons for the decisions not to exercise the Option under the Non-competition Deed are as follows:

(1) Ruiping Shilong

As at the Latest Practicable Date, Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司) ("**Ruiping Shilong**") is a limited liability company incorporated in the PRC, of which 40% is owned by Tianrui Cement (the Company's wholly-owned subsidiary) and 60% is owned by Ruiping Power. Ruiping Power is held by Tianrui Foundry (a subsidiary of Tianrui Group Company) as to 40% and by an Independent Third Party of the Company as to 60%. Ruiping Shilong is engaged in manufacturing and selling clinker in Pingdingshan City, Henan province which has two clinkers production lines with capacity to produce more than 3.1 million tonnes of clinker per year but does not have capacity to produce cement.

Since the interest in Ruiping Shilong was acquired prior to the listing of the Company and hence before the commencement of the restricted period under the Non-competition Deed, the Company does not have the Option to acquire the interest in Ruiping Shilong under the Non-competition Deed.

(2) Shanshui Cement

As at the Latest Practicable Date, Tianrui international, a wholly-owned subsidiary of Tianrui Group Company, holds a total of 951,462,000 shares ("**Shanshui shares**") of China Shanshui Cement Group Limited (691.HK) ("**Shanshui Cement**", a company which is listed on the Main Board of the Stock Exchange), representing approximately 28.16% issued share capital of Shanshui Cement. Shanshui Cement is engaged in the production of clinker and cement in China and recorded the sales volume of cement of 53.1 and 45.8 million tonnes for the year ended 31 December 2014 and 2015 respectively.

Subject to the terms of the Non-competition Deed, the Company has decided not to exercise the Option to acquire the shareholding interest in Shanshui Cement for the following principal reasons:

(a) the trading of shares of Shanshui Cement on the Main Board of the Stock Exchange of Hong Kong Limited has been suspended with effect from 16 April 2015 and there is no guarantee for liquidity for the trading of shares Shanshui Cement as of the Latest Practicable Date; and

(b) the minority shareholding interest status and trading suspension issues referred to above render it unattractive to exercise the Option to acquire Shanshui Shares.

(3) Tongli Cement

As at the Latest Practicable Date, Tianrui Group Company holds a total of 71,365,588 shares ("**Tongli Shares**") of Henan Tongli Cement Co., Ltd (000885) ("**Tongli Cement**", a company which is listed on the Shenzhen Stock Exchange), representing approximately 15.03% equity interests of Tongli Cement. Tongli Cement is engaged in, among others, the manufacture and sale of cement in China and recorded the sales volume of cement of 14.1 and 13.3 million tonnes for the year ended 31 December 2014 and 2015 respectively.

Subject to the terms of the Non-competition Deed, the Company has decided not to exercise the Option to acquire the shareholding interest in Tongli Cement for the following principal reasons:

(a) the 15.03% interest in Tongli Cement represents a minority interest while Henan Investment Group Company Limited (河南投資集團有限公司), the single largest shareholder, owns approximately 58.83% in Tongli Cement, and the Company will not be entitled to control of management of Tongli Cement; and

(b) the minority shareholding interest status referred to above render it unattractive to exercise the Option to acquire the Tongli Shares.

CHANGES TO THE SHAREHOLDING IN THE COMPANY AS A RESULT OF THE ISSUE AND ALLOTMENT OF THE CONSIDERATION SHARES

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion (assuming that save for the issue of the Consideration Shares, there is no issue or repurchase of Shares by the Company from the Latest Practicable Date to the date of Completion and there is no grant and exercise of any options under the Share Option Scheme):

Yu Kuo and its parties acting in concert	**As at the Latest Practicable Date**		**Upon Completion**	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
Yu Kuo(1)	950,000,000	39.57%	1,487,381,647	50.62%
Wan Qi(1)	689,400,000	28.71%	689,400,000	23.46%
Sub-total:	1,639,400,000	68.28%	2,176,781,647	74.08%
Public Shareholders				
PA Investment Funds SPC — PA Greater China Industrial Opportunities Fund Segregated Portfolio	237,600,000	9.90%	237,600,000	8.09%
Yue Xiu Investment Fund Series Segregated Portfolio Company	123,000,000	5.12%	123,000,000	4.19%
Other public Shareholders	400,900,000	16.70%	400,900,000	13.64%
Total	2,400,900,000	100%	2,938,281,647	100%

1. Wan Qi is a company incorporated in BVI with limited liability and is wholly-owned by Mr. Tang Ming Chien. Wan Qi and Mr. Tang Ming Chien are presumed to be acting in concert with Yu Kuo and other Controlling Shareholders under the Takeovers Code as it holds more than 20% interests in the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios of the Listing Rules in respect of the Acquisition exceeds 5% and all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Yu Kuo, which is an indirect wholly-owned subsidiary of Tianrui Group Company which in turn, is owned as to 70% by Chairman Li and 30% by Mrs. Li. Yu Kuo, directly holds approximately 39.57% of the entire issued share capital of the Company. Chairman Li, Mrs. Li, Tianrui Group Company and Yu Kuo are connected persons of the Company under the Listing Rules. Accordingly the entering into of the Acquisition Agreement also constitutes a connected transaction of the Company under the Listing Rules and the transactions contemplated under the Acquisition Agreement, including the issue of the Consideration Shares, are subject to the requirements of reporting, announcement and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

TAKEOVERS CODE IMPLICATIONS

As at the Latest Practicable Date, Yu Kuo, which is an indirect wholly-owned subsidiary of Tianrui Group Company which, in turn, is owned as to 70% by Chairman Li, directly holds approximately 39.57% of the entire issued share capital of the Company. Under the Takeovers Code, Wan Qi and its sole shareholder Mr. Tang Ming Chien are presumed to be acting in concert with Yu Kuo as Wan Qi is holding approximately 28.71% (which is more than 20%) of the entire issued share capital of the Company. The aggregate number of Shares held by Yu Kuo and Wan Qi is 1,639,400,000, representing approximately 68.28% of the entire issued share capital of the Company as at the Latest Practicable Date.

Immediately after Completion and assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date to Completion, Yu Kuo and Wan Qi (being a party which is presumed to be acting in concert with Yu Kuo under the Takeovers Code) will hold approximately 74.08% of the Company's then enlarged issued share capital. Despite the fact that Yu Kuo and Wan Qi hold in aggregate more than 50% of the entire issued share capital of the Company, as the shareholding of Yu Kuo itself will increase from 39.57% to 50.62% as a result of the Acquisition assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date to Completion, pursuant to Rule 26.1 of the Takeovers Code, Yu Kuo will be required to make a mandatory general offer for all the issued shares in the share capital of the Company not already owned or agreed to be acquired by Yu Kuo and parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive.

In this regard, an application has been made on behalf of Yu Kuo to the Executive for the Whitewash Waiver. The Executive has indicated that it will grant the Whitewash Waiver, subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll.

Yu Kuo, Wan Qi (being a party which is presumed to be acting in concert with Yu Kuo under the Takeovers Code) and the parties who are acting in concert with Yu Kuo and Wan Qi will abstain from voting at the EGM to approve the Acquisition Agreement and the Whitewash Waiver. Save as aforesaid, none of the Shareholders has any material interest in the transactions contemplated under the Acquisition Agreement, nor is interested in or involved in the Acquisition or the Whitewash Waiver and is therefore not required to abstain from voting at the EGM.

If the Whitewash Waiver is approved by the Independent Shareholders at the EGM, upon the issue of the Consideration Shares to Yu Kuo (and assuming there is no other change to the issued share capital of the Company), the interest of Yu Kuo in the Company will exceed 50%. Yu Kuo may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make any general offer.

As at the Latest Practicable Date, the Company did not believe that the Acquisition (including the allotment and issue of the Consideration Shares) would give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Acquisition (including the allotment and issue of the Consideration Shares) does not comply with other applicable rules and regulations.

THE LISTING RULES IBC AND THE TAKEOVERS CODE IBC

The Listing Rules IBC, comprising all the independent non-executive Directors, for the purpose of making a recommendation to the Independent Shareholders in respect of the Acquisition and the Specific Mandate, has been established in compliance with Rule 14A.41 of the Listing Rules. The Takeovers Code IBC, comprising the non-executive Directors, namely, Mr. Li Heping and Mr. Yang Yongzheng, and all the independent non-executive Directors, for the purpose of making a recommendation to the Independent Shareholders in respect of the Acquisition, the Whitewash Waiver and the Specific Mandate, has been established in compliance with Rule 2.8 of the Takeovers Code. Chairman Li, although a non-executive Director, indirectly owns 70% shareholding interest in Yu Kuo and is therefore considered to have a material interest in the Acquisition, the Whitewash Waiver and the Specific Mandate. Hence Chairman Li is not offered membership of the Takeovers Code IBC in accordance with Rule 2.8 of the Takeovers Code.

Save for Chairman Li and Mr. Li Jiangming (李江銘), an executive Director who is the younger brother of Mrs. Li, all of the Directors have confirmed that none of them has any interest in the Acquisition; and therefore no Director (except Chairman Li and Mr. Li Jiangming (李江銘)) are required to abstain from voting at the meeting of the Board to approve the Acquisition.

TC Capital International Limited has been appointed as the Independent Financial Adviser with the IBC's approval to advise (i) the Listing Rules IBC and the Independent Shareholders in respect of the Acquisition and the Specific Mandate; and (ii) the Takeovers Code IBC and the Independent Shareholders in relation to the Acquisition, the Whitewash Waiver and the Specific Mandate.

SHARE DEALING BY THE CONTROLLING SHAREHOLDERS

Under paragraph 3(a) of Schedule VI of the Takeovers Code, the Executive will not normally waive an obligation under Rule 26 of the Takeovers Code if the person to whom the new securities are to be issued or any person acting in concert with him has acquired voting rights in the Company in the 6 months prior to the announcement of the proposals but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company (which would include informal discussions) in relation to the proposed issue of new securities.

Each of the Controlling Shareholders (including Yu Kuo) and the parties which are, or are presumed to be acting in concert with the Controlling Shareholders (i.e. Wan Qi and Mr. Tang Ming Chien) and parties acting in concert with any of them had not acquired or entered into any agreement or arrangement to acquire, voting rights in the Company in the six months prior to the date of the Announcement and up to and including the Latest Practicable Date.

As at the Latest Practicable Date, each of the Controlling Shareholders had confirmed that:

(i) neither the Controlling Shareholders nor parties acting in concert with any of them has received an irrevocable commitment from anyone to vote for or against the Acquisition and/or the Whitewash Waiver;

(ii) neither the Controlling Shareholders nor parties acting in concert with any of them holds any convertible securities, warrants or options of the Company;

(iii) neither the Controlling Shareholders nor any person acting or presumed to be acting in concert with any of them has entered into outstanding derivative in respect of securities in the Company;

(iv) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the shares of Yu Kuo or the Company and which might be material to the Acquisition and/or the Whitewash Waiver;

(v) there are no agreements or arrangements to which any of Controlling Shareholders is party which relate to the circumstances in which any of them may or may not invoke or seek to invoke a pre-condition or a condition to the Acquisition and/or the Whitewash Waiver (save as the conditions precedent to the Acquisition); and

(vi) there are no Relevant Securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Controlling Shareholders or any person acting in concert with any of them has borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

An application has been made to the Executive for the grant of the Whitewash Waiver.

INTENTION OF CONTROLLING SHAREHOLDERS

The Controlling Shareholders consider and confirm that:

(i) it is intended that the Group will continue with its existing business following Completion;

(ii) they share the view of the Directors as disclosed in the paragraph headed "Non-competition Deed and Reasons for the Acquisition" above, in which it is mentioned that the Acquisition are in the interests of the Group and they represent suitable business opportunities to expand market share and market coverage; and

(iii) there is no intention to introduce any major changes to the existing business of the Group or the continued employment of the Group's employees and there is no intention to redeploy the fixed assets of the Group other than in its ordinary course of business.

The Directors consider that the intentions of the Controlling Shareholders in respect of the Group and its employees will maintain the continuity of the business of the Group and are therefore is in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company had not entered into or proposed to enter into any agreement, arrangement, understanding or undertaking, whether formal or informal, express or implied, and negotiation (whether concluded or not) with an intention to acquire any new asset, business or body corporate, other than pursuant to the Acquisition Agreement and in the ordinary course of business, and/or to dispose of the existing business of the Group.

GENERAL INFORMATION

Listing Rules IBC, Takeovers Code IBC and Independent Financial Adviser

The letter of advice from TC Capital to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in respect of the Acquisition Agreement and the respective transactions contemplated thereunder (including the allotment and issue of the Consideration Shares), the Whitewash Waiver and the Specific Mandate is set out on pages 34 to 69 of this circular. Shareholders are advised to read the letter carefully.

Shareholders and potential investors should note that the Acquisition Agreement is subject to the fulfilment of a number of conditions, and accordingly, the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares.

EGM

The Company will convene the EGM at 2:30 p.m. on 19 January 2017 at Room 1, United Conference Centre Limited, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong to consider and if thought fit, approve the Acquisition Agreement (including issue and allotment of the Consideration Shares under the Specific Mandate), the Whitewash Waiver. The notice of the EGM is set out on pages EGM-1 and EGM-3 of this circular. The voting on such resolutions will be conducted by way of poll in accordance with Rule 13.39(4) of the Listing Rules and Rule 2.9 of the Takeovers Code.

Save for Yu Kuo (which was interested in 950,000,000 Shares as at the Latest Practicable Date), Wan Qi (which was interested in 689,400,000 Shares as at the Latest Practicable Date), no other Shareholders are required to abstain from voting at the EGM in respect of the resolutions to approve the Acquisition Agreement (including issue and allotment of the Consideration Shares under the Specific Mandate) and the Whitewash Waiver.

The Company will publish an announcement on the results of the EGM in accordance with Rule 13.39(5) of the Listing Rules and Rule 2.9 of the Takeovers Code after the EGM.

A form of proxy for the EGM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event no later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish (as the case may be).

RECOMMENDATIONS

You are advised to read carefully the letter from the Listing Rules IBC on pages 30 to 31 and the letter from the Takeovers Code IBC on pages 32 to 33 of this circular.

The Listing Rules IBC, having taken into account the advice of TC Capital, the text of which is set out on pages 34 to 69 of this circular, consider that although entering into the Acquisition is not in the ordinary and usual course of business of the Group, the terms and conditions of the Acquisition Agreement and all transactions contemplated thereunder (including the allotment and issue of the Consideration Shares under the Specific Mandate) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Listing Rules IBC recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Acquisition (including the Specific Mandate).

The Takeovers Code IBC, having taken into account the advice of TC Capital, the text of which is set out on pages 34 to 69 of this circular, consider that (1) the terms and conditions of the Acquisition Agreement and all transactions contemplated thereunder (including the allotment and issue of the Consideration Shares under the Specific Mandate) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (2) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Takeovers Code IBC recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Acquisition (including the Specific Mandate) and the Whitewash Waiver.

The Board (excluding (i) the non-executive Directors, namely, Mr. Li Heping and Mr. Yang Yongzheng, and all the independent non-executive Directors whose views are set out in more detail in the letter from the Listing Rules IBC and the letter from the Takeovers Code IBC and (ii) Chairman Li and Mr. Li Jiangming, an executive Director who is the younger brother of Mrs. Li, both of whom have abstained from voting) considers that (1) the terms and conditions of the Acquisition Agreement and the respective transactions contemplated thereunder (including the allotment and issue of the Consideration Shares and under the Specific Mandate) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (2) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned, and recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
China Tianrui Group Cement Company Limited
Li Liufa
Chairman

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)

30 December 2016

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated 30 December 2016 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter have the same meanings as defined in the Circular.

We have been authorised by the Board to form the Listing Rules IBC to advise the Independent Shareholders as to whether the terms and conditions of the Acquisition Agreement and the respective transactions contemplated thereunder (including the allotment and issue of the Consideration Shares under the Specific Mandate) are on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention (i) to the letter of advice from TC Capital appointed as the independent financial adviser to advise us and the Independent Shareholders on the terms and conditions of the Acquisition Agreement and the respective transactions contemplated thereunder (including the allotment and issue of the Consideration Shares under the Specific Mandate). Details of TC Capital's independent advice, together with the principal factors and reasons it has taken into consideration, are set out on pages 34 to 69 of the Circular; and (ii) the letter from the Board as set out on pages 8 to 29 of the Circular.

Having considered the factors, reasons and the opinions stated in the letter of advice from TC Capital and the terms of the Acquisition, we consider that although entering into the Acquisition is not in the ordinary and usual course of business of the Group, the terms and conditions of the Acquisition Agreement and the respective transactions contemplated thereunder (including the allotment and issue of the Consideration Shares under the Specific Mandate) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition Agreement and the Specific Mandate.

Yours faithfully,
Listing Rules IBC

Kong Xiangzhong	**Wang Ping**	**Du Xiaotang**
Independent non-executive director	*Independent non-executive director*	*Independent non-executive director*

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)

30 December 2016

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated 30 December 2016 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter have the same meanings as defined in the Circular.

We have been authorised by the Board to form the Takeovers Code IBC to advise the Independent Shareholders as to whether (1) the terms and conditions of the Acquisition Agreement and the respective transactions contemplated thereunder (including the allotment and issue of the Consideration Shares under the Specific Mandate) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (2) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to (i) the letter of advice from TC Capital appointed with the approval of the Takeovers Code IBC as the independent financial adviser to advise us and the Independent Shareholders on the terms and conditions of the Acquisition Agreement and the respective transactions contemplated thereunder (including the allotment and issue of the Consideration Shares under the Specific Mandate) and the Whitewash Waiver. Details of TC Capital's independent advice, together with the principal factors and reasons it has taken into consideration, are set out on pages 34 to 69 of the Circular; and (ii) the letter from the Board as set out on pages 8 to 29 of the Circular.

Having considered the factors, reasons and the opinions stated in the letter of advice from TC Capital and the terms of the Acquisition, we consider that (i) the terms and conditions of the Acquisition Agreement and the respective transactions contemplated thereunder (including the allotment and issue of the Consideration Shares under the Specific Mandate) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (2) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition Agreement, the Specific Mandate and the Whitewash Waiver.

Yours faithfully,
Takeovers Code IBC

Li Heping	**Yang Yongzheng**	**Kong Xiangzhong**	**Wang Ping**	**Du Xiaotang**
Non-executive director	*Non-executive director*	*Independent non-executive director*	*Independent non-executive director*	*Independent non-executive director*

The following is the full text of a letter of advice from TC Capital, the independent financial adviser to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders, which has been prepared for the purpose of incorporation in this circular, setting out its advice to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders on the terms and conditions of the Acquisition Agreement and the respective transactions contemplated thereunder (including the allotment and issue of the Consideration Shares under the Specific Mandate) and the Whitewash Waiver.

TC CAPITAL
天財資本

30 December 2016

The Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders of China Tianrui Group Cement Company Limited

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 100% INTEREST IN HENAN YONGAN CEMENT COMPANY LIMITED AND 55% INTEREST IN TIANRUI XINDENG ZHENGZHOU CEMENT COMPANY LIMITED; ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise (i) the Listing Rules IBC in relation to the Acquisition Agreement and the transactions contemplated thereunder; and (ii) the Takeovers Code IBC and the Independent Shareholders in relation to the Acquisition Agreement, the transactions contemplated thereunder and the Whitewash Wavier. Details of the Acquisition Agreement, the transactions contemplated thereunder and the Whitewash Wavier are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular of China Tianrui Group Cement Company Limited (the "**Company**") dated 30 December 2016 issued to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

On 25 November 2016 (after trading hours), the Company and Tianrui Group Company entered into the Acquisition Agreement, pursuant to which Tianrui Group Company conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Shares, which represent 100% equity interest in Yongan Cement and 55% equity interest in Xindeng Cement, at a total consideration of RMB919,000,000, to be settled by the allotment and issue of the Consideration Shares by the Company to Yu Kuo, an indirect wholly-owned subsidiary of Tianrui Group Company, credited as fully paid, at the Issue Price upon Completion. The Consideration Shares will be issued under the Specific Mandate to be approved at the EGM. Background and terms of the Acquisition Agreement are set out in the Letter from the Board.

As one or more of the applicable percentage ratios of the Listing Rules in respect of the Acquisition exceeds 5% and all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, Yu Kuo, which is an indirect wholly-owned subsidiary of Tianrui Group Company, in turn, is owned as to 70% by Chairman Li and 30% by Mrs. Li. Yu Kuo directly holds approximately 39.57% of the entire issued share capital of the Company and is a substantial shareholder (as defined in the Listing Rules) of the Company. Chairman Li, Mrs. Li, Tianrui Group Company and Yu Kuo are connected persons of the Company under the Listing Rules. As a result, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly the entering into of the Acquisition Agreement and the transactions contemplated under the Acquisition Agreement, including the issue of the Consideration Shares, are subject to the requirements of reporting, announcement and Independent Shareholders' approval under Chapter 14A of the Listing Rules. Under the Takeovers Code, Wan Qi and its sole shareholder Mr. Tang Ming Chien are presumed to be acting in concert with Yu Kuo as Wan Qi is holding approximately 28.71% (which is more than 20%) of the entire issued share capital of the Company. The aggregate number of Shares held by Yu Kuo and Wan Qi is 1,639,400,000, representing approximately 68.28% of the entire issued share capital of the Company.

Immediately after Completion and assuming there are no other changes to the issued share capital of the Company from the Latest Practicable Date to the Completion, Yu Kuo and Wan Qi (being a party which is presumed to be acting in concert with Yu Kuo under the Takeovers Code) will hold approximately 74.08% of the Company's then enlarged issued share capital. Despite the fact that Yu Kuo and Wan Qi hold in aggregate more than 50% of the entire issued share capital of the Company, as the shareholding of Yu Kuo itself will increase from approximately 39.57% to 50.62% as a result of the Acquisition assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date to Completion, pursuant to Rule 26.1 of the Takeovers Code, Yu Kuo will be required to make a mandatory general offer for all the issued shares in the share capital of the Company not already owned or agreed to be acquired by Yu Kuo and parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive. An application has been made on behalf of Yu Kuo to the Executive for the Whitewash Waiver. The Executive has indicated that it will grant the Whitewash Waiver, subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll.

Yu Kuo, Wan Qi (being a party which is presumed to be acting in concert with Yu Kuo under the Takeovers Code) and the parties who are acting in concert with Yu Kuo and Wan Qi will abstain from voting at the EGM to approve the Acquisition Agreement and the

Whitewash Waiver. Save as aforesaid, none of the Shareholders has any material interest in the transactions contemplated under the Acquisition Agreement, nor is interested in or involved in the Acquisition or the Whitewash Waiver and is therefore not required to abstain from voting at the EGM.

The Listing Rules IBC, comprising all the independent non-executive Directors, namely Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Du Xiaotang, has been established in compliance with Rule 14A.41 of the Listing Rules to give advice and recommendation to the Independent Shareholders in respect of the Acquisition and Specific Mandate. The Takeovers Code IBC, comprising the non-executive Directors, namely Mr. Li Heping and Mr. Yang Yongzheng, and all the independent non-executive Directors, has been established in compliance with Rule 2.8 of the Takeovers Code to give advice and recommendation to the Independent Shareholders in respect of the Acquisition, the Whitewash Waiver and Specific Mandate. Chairman Li, although a non-executive Director, indirectly owns 70% shareholding interest in Yu Kuo and is therefore considered to have interest in the Acquisition, the Whitewash Waiver and the Specific Mandate. Hence Chairman Li is not offered membership of the Takeovers Code IBC in accordance with Rule 2.8 of the Takeovers Code.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company, the Controlling Shareholders, or any other parties that could reasonably be regarded as relevant in determining or assessing our independence. In the last two years, we have acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to two occasions as detailed in the circular of the Company dated 30 October 2015, which is the major and continuing connected transactions in relation to provision of mutual guarantees, and the announcement of the Company dated 9 September 2015, which is in relation to a discloseable and connected transaction of the acquisition of 100% interest in Yongan Cement, which then terminated on 24 March 2016, respectively. Given (i) our independent role in these two engagements; and (ii) our fees, which did not involve any contingent fee or conditional fee arrangement on the successful of the transactions, for these two engagements represented an insignificant percentage of our revenue, we consider these two engagements would not affect our independence to form our opinion in respect of the Acquisition Agreement.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Circular; (ii) the Acquisition Agreement; (iii) the annual reports of the Company for the year ended 31 December 2015 (the "**2015 Annual Report**") and the interim report of the Company for the six months ended 30 June 2016 (the "**2016 Interim Report**"); (iv) the audited reports of Yongan Cement and Xindeng Cement for the years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016 as set out in Appendix II to the Circular, respectively; (v) the Valuation Report as set out in Appendix V to the Circular; and (vi) relevant market data and information available from public sources and the website of the Stock Exchange. We have also relied on all relevant information, opinions and facts supplied and represented by the Company, the Directors and the management of the Company. We have assumed that all such information, opinions, facts and representations contained or referred to in the Circular, for which the Directors are fully, jointly and severally responsible, were true and accurate in all respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, nor have we conducted an independent investigation into the business affairs, operations, financial position or future prospects of the Group, Tianrui Group Company, Yongan Cement and Xindeng Cement, their respective subsidiaries, and/or their associated companies.

THE ACQUISITION

In formulating our opinions in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

I. Background to and reasons for entering into of the Acquisition Agreement

1. Background information of the Group, Tianrui Group Company and the Target Companies

a. The Group

As set out in the Letter from the Board, the Group is principally engaged in businesses ranging from excavation of limestone, to production, sale and distribution of clinker and cement. According to the 2015 Annual Report, the Group's operating production facilities are mainly located in Henan province, Liaoning province, Tianjin city and certain parts of Anhui province. As at 31 December 2015, the Group had 18 clinker production lines and 51 cement grinder production lines with a total annual production capacity of about 28.1 million tonnes of clinker and 50.3 million tonnes of cement, respectively.

The table below summarizes the audited consolidated financial results of the Group for the two years ended 31 December 2015 ("**FY2014**" and "**FY2015**", respectively) as extracted from the 2015 Annual Report, and the unaudited consolidated financial results of the Group for the six months ended 30 June 2015 and 30 June 2016 as extracted from the 2016 Interim Report.

	For the year ended 31 December				For the six months ended 30 June			
	2014		2015		2015		2016	
	(RMB'000) (audited)		*(RMB'000)* (audited)		*(RMB'000)* (unaudited)		*(RMB'000)* (unaudited)	
Sales of cement	8,193,327	91.54%	5,844,586	94.34%	3,208,892	92.21%	2,985,634	96.45%
Sales of clinker	756,959	8.46%	350,507	5.66%	271,251	7.79%	109,860	3.55%
Total revenue	8,950,286	100%	6,195,093	100%	3,480,143	100%	3,095,494	100%
Gross Profit	2,057,514		1,247,154		838,894		776,065	
Net profit	540,118		283,505		230,746		162,874	

Source: 2015 Annual Report and 2016 Interim Report

We note from the table above that the revenue of the Company is contributed by the sales of cement and clinker. The audited revenue of the Company for FY2014 and FY2015 accounted approximately RMB8,950.29 million and RMB6,195.09 million. The revenue of the Company for FY2015 represents a decrease of approximately 30.78% as compared with that of FY2014. Such decrease of revenue was principally attributable to the decrease in selling price of cement products as a result of overcapacity and surplus of cement market and the decrease of sales volume of the cement as a result of the reduction in real estate investment in Henan and Liaoning where the Group operates. The unaudited revenue of the Company for the six months ended 30 June 2016 of RMB3,095.49 million represents a decrease of approximately 11.05% as compared that for the six months ended 30 June 2015 of approximately RMB3,480.14 million due to the decrease in the average selling price of the cement products.

The audited net profit of the Company for FY2014 and FY2015 accounted approximately RMB540.12 million and RMB283.51 million. The net profit of the Company for FY2015 represents a decrease of approximately 47.51% as compared with that of FY2014, which was mainly due to the decrease in gross profit as a result of the decrease in the average selling price of the cement products. The unaudited net profit of the Company was approximately RMB162.87 million for the six months ended 30 June 2016 and represents a decrease of approximately 29.42% as compared with that for the six months ended 30 June 2015 of approximately RMB230.75 million. Such decrease was mainly due to the decrease in the average selling price of the cement products and the increase in the administrative expense as a result of the increase in staff and administrative costs of the Company.

b. Tianrui Group Company

As set out in the Letter from the Board, Tianrui Group Company is a company established in the PRC with limited liability and, as at the Latest Practicable Date, held as to 70% by Chairman Li and 30% by Mrs. Li, who are interested in different businesses such as foundry business, aluminum business, tourism and hotel business; and hold indirect equity interest in Ruiping Shilong which is involved in the production, sale and distribution of clinker.

c. Target Companies

Yongan Cement

As set out in the Letter from the Board, Yongan Cement was established in PRC in May 2007 as a limited liability company with a registered capital of RMB572,600,000 as at the Latest Practicable Date. Yongan Cement is headquartered in Gongyi City, Henan Province, PRC and is principally engaged in the manufacture and sale of clinker and cement in Gongyi City and Luoyang City of Henan Province. Yongan Cement commenced operation in 2011. On 12 February 2015, a subsidiary of Yongan Cement, Gongyi Chaofeng Mining Investment Company Limited (鞏義市超峰礦山投資有限公司), was disposed to one subsidiary of Henan Hongqi Coal Company Limited (河南紅旗煤炭業股份有限公司) ("**Henan Hongqi**") by Yongan Cement. As at the Latest Practicable Date, Yongan Cement had 1 clinker production line with designed daily capacity to produce approximately 5,000 tonnes of clinker and 2 cement grinder production lines with designed daily capacity to produce approximately 6,600 tonnes of cement. Yongan Cement owns a piece of land of approximately 128,321 square meters in Zhi Tian town, Gong Yi City, Henan Province, upon which its principal factories and manufacture base are situated.

Yongan Cement also holds a mining licence with respect to limestone for cement manufacture (水泥用石灰岩). The limestone site is in the production stage and is situated in Gong Yi City, Henan Province with an area of approximately 2.5695 square kilometres and its mining licence has a validity period from December 2013 to December 2043. All the limestone of the said limestone site is expected to continue its current utilization for the manufacture activities of Yongan Cement after Completion.

Yongan Cement has been awarded the National Certificate for the Manufacture of Industrial Products (全國工業產品生產許可證) (the "**Manufacture Certificate**") by the PRC General Administration of Quality Supervision, Inspection and Quarantine (中華人民共和國國家質量監督檢驗檢疫總局) for a validity period expiring in May 2017. Yongan Cement would not be allowed to manufacture and engage in sales or operation activities of the industrial products without a valid Manufacture Certificate and in that connection Yongan Cement has made an application to the relevant authority in December 2016 for the renewal of the Manufacture Certificate for a period of 5 years. According to the Regulations on the Administration of Licenses for Industrial Products (工業產品許可證管理條例), the relevant authority shall provide a decision, whether or not approval is granted in respect of the renewal of the Manufacture Certificate, to qualified applicants within 60 days of the application and if approval is granted, the relevant authority shall issue such Manufacture Certificate within 10 days after such approval. As at the Latest Practicable Date, Yongan Cement is still waiting for the approval in respect of such renewal, and there is no fact or circumstance known to the Directors that would render such renewal application unsuccessful. The Directors advised that they are conducting enquiries, investigation and due diligence reviews of the business affairs, operations and financial position of Yongan Cement, which is stated as a condition precedent to Completion. After taking into the advice from the PRC legal advisor, the Directors do not foresee the Target Company has any legal obstacles to renew the Manufacture Certificate. Nevertheless, as stated in the Letter from the Board, the Company will not (i) be satisfied with results of the enquiries, investigation and due diligence reviews of the business affairs, operations and financial position of Yongan Cement which is one of the conditions precedent to Completion under the Acquisition Agreement; and (ii) proceed to Completion unless it is satisfied that the Manufacture Certificate will be renewed successfully before its expiry date. The Directors further confirm that the Company will not waive the requirement in relation to the renewal of the Manufacture Certificate set out above. As such, we consider that the renewal of the Manufacture Certificate will not affect our view on the Acquisition.

The manufacture of 32.5 composite portland cement (32.5級複合硅酸鹽水泥) by Yongan Cement has been certified as Nationwide Encouraged Recycling Technology (國家鼓勵的資源綜合利用) by Henan Development and Reform Commission (河南省發展和改革委員會) in December 2014. To the best knowledge of the Directors, Yongan Cement is the only large cement producer in Gongyi City that has a large-scale new suspension pre-heater dry process clinker production line equipped with a residual heat power generation system, which allows a reduction of energy cost and hence improves the cost effectiveness of production of Yongan Cement.

Tianrui Group Company has entered into a share transfer agreement dated 9 January 2015 with Henan Hongqi and Gongyi Pingan Transport Company Limited (鞏義市平安運輸有限公司) ("**Gongyi Pingan**"), pursuant to which Tianrui Group Company agreed to purchase 90% and 10% equity interest in Yongan Cement from Henan Hongqi and Gongyi Pingan for a consideration of RMB940,000,000 and RMB45,000,000 respectively, subject to a further undertaking to settle a bank loan of RMB50,000,000 owed by Yongan Cement. As such, the total cost payable by Tianrui Group Company with respect to the First Sale Shares was RMB1,035,000,000.

Yongan Cement suspended the production of clinker in February 2016 as a result of the environmental protection inspection conducted by the government. To the best knowledge and information of the Directors, Yongan Cement has obtained the permission for industrial waste sewage and emission in August 2016 for a validity period expiring in August 2019 and the production of clinker has since September 2016 resumed normal operation.

As at the Latest Practicable Date, Tianrui Group Company was the registered owner of 100% equity interest in Yongan Cement. The Company will nominate Tianrui Cement to be the registered owner of the First Sale Shares. Following Completion, Yongan Cement will become an indirect wholly owned subsidiary of the Company and its financials are expected to be consolidated into the accounts of the Company.

The table below summarizes the financial information of Yongan Cement and/or its subsidiary (collectively "**Yongan Group**") for FY2014 and FY2015 and for the six months ended 30 June 2015 and 30 June 2016 prepared in accordance with the IFRS, as extracted from Appendix II to the Circular.

	For the year ended 31 December				**For the six months ended 30 June**			
	2014		**2015**		**2015**		**2016**	
	(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*	
	(audited)		(audited)		(unaudited)		(audited)	
	Yongan Group				**Yongan Cement**			
Sales of cement	216,275	82.95%	235,358	96.31%	120,480	93.03%	89,203	100.00%
Sales of clinker	44,461	17.05%	9,028	3.69%	9,028	6.97%	—	—
Total revenue	260,736	100.00%	244,386	100.00%	129,508	100.00%	89,203	100.00%
Gross loss	92,891		4,193		5,917		5,822	
Net loss	157,361		29,521		19,540		17,176	

Note: The above financial information are of Yongan Group for the year ended 31 December 2013, 2014 and 2015 and of Yongan Cement for the six months ended 30 June 2015 and 2016, as the subsidiary of Yongan Cement was disposed on 12 February 2015.

We note from the table above that the revenue of Yongan Group is mainly contributed by the sales of cement, which accounted approximately 82.95%, 96.31%, 93.03% and 100.00% for FY2014, FY2015 and the six months ended 30 June 2015 and 30 June 2016, respectively.

Yongan Group recorded a loss of approximately RMB157.36 million and RMB29.52 million in FY2014 and FY2015 respectively. As advised by the management of the Company, the losses incurred by Yongan Group for FY2014 were mainly attributable to high operating cost and finance cost. After Yongan Cement was acquired by Tianrui Group Company in 2015, Yongan Cement was able to (i) increase its revenue in FY2015 as Tianrui Group Company controlled the production quality of cement such that Yongan Cement had an increase in new orders in 2015; (ii) reduce the operating cost as (a) Tianrui Group Company introduces suppliers to Yongan Cement, which offer greater discount to Yongan Cement and thus reduce cost on purchasing raw materials of Yongan Cement; and (b) with the experience of management of Tianrui Group Company in cement industry, increase its efficiency of manufacturing processes as the production process, such as the formula of raw materials to be used in the production of clinker and the heating process in the production of clinker of Yongan Cement is improved so that the consumption of raw materials in producing clinker is reduced; and (iii) reduce the finance cost by repaying the debt.

The revenue of Yongan Cement was approximately RMB89.20 million for the six months ended 30 June 2016, which was decreased by approximately 31.1% when compared to the same period in 2015 of approximately RMB129.51 million. The decrease in revenue was principally attributable to the decrease in the sales of cement and the cease in sale of clinker. The decrease in the sales of cement was due to the reduction in real estate investment in Henan and Liaoning and the cease in the sales of clinker was due to the restriction on production of clinker resulting from government environmental inspection in Henan Province since the end of 2015. Since Yongan Cement had not yet obtained the permission for industrial waste sewage and emission (the "**Permission**") during the period of environmental inspection, the production of clinker in Yongan Cement was mainly ceased under the inspection.

The net loss of Yongan Cement was approximately RMB17.18 million for the six months ended 30 June 2016. The net loss recorded for the six months ended 30 June 2016 was mainly due to the selling price of cement remained in downturn.

As advised by the management of the Company, Yongan Cement obtained the Permission in August of 2016 and the production of clinker was resumed. The Company expects that the financial performance of Yongan will be improved as (i) they can enjoy tax refund after obtained the Permission in accordance with 財政部、國家稅務總局關於印發《資源綜合利用產品和勞務增值稅優惠目錄》的通知 (Notice of the Ministry of Finance and the State Administration of Taxation on Issuing the Catalogue of Value-Added Tax Preferences for Products and Labour Services Involving the Comprehensive Utilisation of Resources*) dated 12 June 2015; and (ii) the resumed production of clinker will (a) contribute to the revenue of Yongan Cement; and (b) reduce the production cost of cement of Yongan Cement since they can use its own produced clinker to produce cement.

Xindeng Cement

Xindeng Cement was established in the PRC in March 2008 as a limited liability company with a registered capital of RMB294,667,600 as at the Latest Practicable Date. Xindeng Cement is headquartered in Dengfeng City, Henan Province, the PRC and is principally engaged in the manufacture and sale of clinker and cement in Dengfeng City and Zhengzhou City of Henan Province. Xindeng Cement owns a piece of land of approximately 201,059.9 square metres in Xuan Hua Town, Dengfeng City, Henan Province, at which its principal factories and manufacture base are situated. Xindeng Cement is a clinker and cement producer in Dengfeng City, Henan Province which is one of the four large-scale cement and clinker producers owning a clinker production line with designed daily capacity to produce approximately 5,000 tonnes of clinker and is equipped with residual heat power generation system.

Xindeng Cement also holds a mining licence with respect to limestone for cement manufacture (水泥用石灰岩). The limestone sites are in the production stage and are situated in Xuan Hua Town and Xu Zhuang Town, Dengfeng City, Henan Province, of which the area of the site in Xuan Hua Town is approximately 10.6821 square kilometres and its mining licence has a validity period from November 2015 to June 2037; whereas the area of the site in Xu Zhuang Town is approximately 4.6544 square kilometres and its mining licence has a validity period from November 2015 to July 2038. All the limestone of the said limestone sites are expected to continue its utilization of the manufacture activities of Xindeng Cement after Completion.

Xindeng Cement has been awarded the National Certificate for the Manufacture of Industrial Products (全國工業產品生產許可證) by the PRC General Administration of Quality Supervision, Inspection and Quarantine (中華人民共和國國家質量監督檢驗檢疫總局) for a validity period expiring in January 2019. The manufacture of portland cement clinker (硅酸鹽水泥熟料), 32.5 composite portland cement (32.5 級複合硅酸鹽水泥) and 42.5 normal portland cement (42.5 級複合硅酸鹽水泥) by Xindeng Cement have been certified as Nationwide Encouraged Recycling Technology (國家鼓勵的資源綜合利用) by Henan Development and Reform Commission (河南省發展和改革委員會) in July 2013.

Tianrui Group Company has entered into a share transfer agreement dated 29 June 2015 and a capital increase agreement dated 22 December 2015 with Zhengzhou Xindeng Enterprise Group Company Limited (鄭州新登企業集團有限公司) ("**Xindeng Group**"), pursuant to which Tianrui Group Company purchased 49% equity interest in Xindeng Cement from Xindeng Group and increased its shareholding further by 6% through capital increment for a consideration of RMB307,160,000 and RMB83,445,000, respectively. As such, the total cost payable by Tianrui Group Company with respect to the Second Sale Shares was RMB390,605,000.

As at the Latest Practicable Date, Tianrui Group Company was the registered owner of 55% equity interest in Xindeng Cement. The Company will nominate Tianrui Cement to be the registered owner of the Second Sale Shares. Following Completion, Xindeng Cement will become a subsidiary of the Company and its financials are expected to be consolidated into the accounts of the Company.

The table below summarizes the financial information of Xindeng Cement for FY2014 and FY2015 and for the six months ended 30 June 2015 and 30 June 2016 prepared in accordance with the IFRS, as extracted from Appendix II to the Circular.

	For the year ended 31 December				For the six months ended 30 June			
	2014		2015		2015		2016	
	(RMB'000) (audited)		*(RMB'000)* (audited)		*(RMB'000)* (unaudited)		*(RMB'000)* (audited)	
Sales of cement	216,660	61.60%	200,589	74.53%	82,998	66.80%	150,066	92.82%
Sales of clinker	135,075	38.40%	68,558	25.47%	41,259	33.20%	11,606	7.18%
Total revenue	351,735	100.00%	269,147	100.00%	124,257	100.00%	161,672	100.00%
Gross profit	51,104		30,304		13,988		26,810	
Net profit	22,622		21,530		6,607		14,380	

We note from the table above that the revenue of Xindeng Cement is mainly contributed by the sales of cement, which accounted approximately 61.60%, 74.53%, 66.80% and 92.82% for FY2014, FY2015 and the six months ended 30 June 2015 and 30 June 2016, respectively. Xindeng Cement recorded a decrease in net profit from approximately RMB22.62 million in FY2014 to RMB21.53 million in FY2015. The decrease of net profit in FY2015 was mainly due to the continuous decrease in the average selling price of cement products.

Net profit of Xindeng Cement was approximately RMB14.38 million for the six months ended 30 June 2016 with an increase of approximately 117.65% when compared with the same period in 2015. The increase in net profit of Xindeng Cement was mainly due to (i) an increase in the manufacture and the sale of cement as a result of an addition of a cement grinder mill in production in 2016; (ii) the decrease of production cost due to the decrease in the cost of coal and the improved management efficiency; and (iii) the penalty paid for certain overdue taxes levied by the tax authorities for the six months ended 30 June 2015 which decrease the net profit during that period. Further as set out in the Letter from the Board, Tianrui Group Company has entered into a share transfer agreement dated 29 June 2015 and a capital increase agreement dated 22 December 2015 with Xindeng Group, pursuant to which Tianrui Group Company purchased 49% equity interest in Xindeng Cement from Xindeng Group and increased its shareholding further by 6%. The management of the Company advised that, after Xindeng Cement is controlled by Tianrui Group Company in January of 2016, Xindeng Cement was able to reduce its operating cost and increase its efficiency of manufacturing process and manpower allocation due to the experience of management of Tianrui Group Company.

2. Reasons and benefits for entering into of the Acquisition Agreement

According to the 2016 Interim Report, the Directors stated that "The Group is one of the 12 national key cement enterprises recognized by the Chinese government and one of the five cement enterprises designated by the Ministry of Industry and Information Technology. The Group is encouraged to undertake mergers and consolidation of the cement market in central China. Given the lower cement demand and intensifying competition, the Group will, leverage their edges and favorable policies, seize opportunities and continue to consolidate the Group's leading position in Henan and Liaoning through organic growth and selective acquisitions." As stated in the Letter from the Board, the Board (excluding (i) the non-executive Directors, namely, Mr. Li Heping and Mr. Yang Yongzheng, and all the independent non-executive Directors whose view is set out in more detail in the letter from the Listing Rules IBC and the letter from the Takeovers Code IBC after considering the advice of the Independent Financial Advisor and (ii) Chairman Li and Mr. Li Jiangming, an executive Directors who is the younger brother of Mrs. Li, both of whom have abstained from voting) is of the view that the Acquisition aligns with the business strategy of the Group and it would help to expand market coverage of the Group to regional markets such as Luoyang City, Gongyi City and Dengfeng City, and would help expand the defense line for its core market in Zhengzhou City, and would further create synergy with the Group's existing markets in Henan Province by (i) reducing competition in the Group's core market as the Target Companies' market coverage has a degree of overlap with that of the subsidiaries of the Group. In addition, the Directors consider that simultaneous acquisition of the Target Companies will enable the Group to manage the current competitive conflicts between the two Target Companies which would in turn improve the Group's market coverage and bargaining power in the market of Henan Province; (ii) enabling the Group to reach new customers in addition to the Target Companies' existing customers through close collaboration between the Target Companies (with geographical advantage) and other subsidiaries of the Group (which can provide greater support in terms of quality control, logistics, supply and financial resources), enabling the Group after the Acquisition to bid for and take part in large scale infrastructure projects involving new customers in the expanded regional markets; (iii) expanding the Group's capacity and capability to serve more tenders relating to infrastructure projects within the Group's existing core market; and (iv) lowering the Group's unit production and operational cost as a whole by means of sharing the same regional sale force and the same group of raw material and coal suppliers with the Target Companies.

According to 中共河南省委河南省人民政府關於打贏大氣污染防治攻堅戰的意見 (Opinion of winning the air pollution prevention*) dated 3 July 2016 published in the official website of the People's Government of Henan Province, from 1 November 2016 to 31 January 2017, 187 cement enterprises are stopped production of cement. As such, the supply of cement in Henan Province will be reduced and thus causing the increase in selling price of cement products. Further, according to 關於印發河南省交通基礎設施重大工程建設三年行動計畫實施方案的通知 (Notification of 3 year execution plan of major transportation infrastructure construction in Henan Province*) dated 2 September 2016 published in the official website of the People's Government of Henan Province, the government targets to complete the investment of major transportation infrastructure construction in Henan Province of RMB74.6 billion, RMB98.1 billion and RMB95.9 billion in the year of 2016, 2017 and 2018 respectively. Such policies will lead to the increase in demand and price of cement in Henan province and the performance of the Target Companies will benefit from such effect from the government's policies.

According to an article titled "河南水泥產業迎來轉機　水泥價格現"觸底反彈"現象" (Henan cement industry is turning for better and the cement prices are "bottoming out" phenomenon*) dated 18 August 2016 published in 數字水泥網 (Digital Cement Website*), the selling price of cement in Henan Province has increased since July 2016. According to the statistics retrieved from the website of 數字水泥網 (Digital Cement Website*), the average selling price of cement product — 42.5 normal portland cement (42.5 級複合硅酸鹽水泥), which is one of the main types of cement in the market, has increased by approximately 73.9% from July of 2016 to October 2016. According to the website of 數字水泥網 (Digital Cement Website*), 數字水泥網 (Digital Cement Website*) is organised by 中國水泥協會 (the China Cement Association ("**CCA**")). According to the website of CCA, CCA is a social association established in the PRC whose affairs are supervised by 國務院國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the State Council). CCA provides advice and policy recommendations on cement industry to the government. As advised by the Company, the revenue of the Group and the Target Companies contributed by the sales of 42.5 normal portland cement (42.5 級複合硅酸鹽水泥) was within a range of 60–80% of their respective total revenue for the six months ended 30 June 2016. Further, as the Chinese government encouraged to eliminate small and medium scale of cement producers so as to reduce and control the production of cement in China, we believe that such policy and the increase in the selling price of cement products would be favorable to the Company to acquire outstanding second-tier cement producers and enlarge the business scale of the Company.

Although the industry experienced a decrease of selling price and demand of cement, based on the aforesaid government policies and commentaries, the demand and the selling price of cement in Henan province will be benefited from (i) the prohibition or elimination of certain cement manufacturer from producing cement; (ii) the future infrastructure projects, such policies have already affected the selling price of cement in Henan Province which has increased more than RMB100 per tonne on average since July 2016. As the results, we concur with the Directors that the industry will have a better prospect.

Further, the Consideration of the Acquisition which is lower than the total consideration of RMB1,425,605,000 paid by Tianrui Group Company for the acquisition of the First Sale Shares and the Second Sale Shares in the first instance, is in compliance with the Non-competition Deed which provides that any acquisition by the Company upon the exercise of any Option to acquire business (the "**New Business**") or any interest in the New Business will be on no less favourable terms than the acquisition by the Controlling Shareholders in the first instance. The acquisition of the equity interests in the Target Companies by Tianrui Group Company in the first instance had been approved by the independent non-executive Directors in accordance with the Non-competition Deed.

According to the 2014 Annual Report and as advised by the Director, the Company decided not to exercise the option under the Non-competition Deed when Tianrui Group Company entered into a share transfer agreement dated 9 January 2015 with the shareholders of Yongan Cement, and a share transfer agreement dated 29 June 2015 and a capital increase agreement dated 22 December 2015 with the shareholders of Xindeng Cement, respectively because (i) a relatively high consideration, RMB1,035,000,000 for the First Sales Shares RMB390,605,000 for the Second Sales Shares, which is settled by cash; and (ii) Yongan Group was making a loss during the time period. Although Yongan Cement remained loss making for the six months ended 30 June 2016, given (i) the Directors believe under the management and operation of the Company, the Target Companies will perform better since the Company is expertise in managing and operating cement factories; (ii) the Company has a long history in manufacture cement business and its business has recorded RMB162.9 million of net profit for the six months ended 30 June 2016; (iii) the financial performance of Yongan Cement and Xindeng Cement are improving for the six months ended 30 June 2016. According to the financial information of Yongan Cement and Xindeng Cement, after Tianrui Group Company acquired the Yongan Cement in 2015, the net loss of Yongan Group decreased from RMB157.4 million in FY2014 to RMB29.5 million in FY2015. The financial performance of Yongan Cement for the six months ended 30 June 2016 also improved as compare with the period in 2015. For the six months ended 30 June 2016, the net profit of Xindeng Cement increased from approximately RMB6.6 million to approximately RMB14.4 million; and (iv) the better prospect on the cement industry as aforesaid in this section.

Moreover, as stated in the Letter from the Board, the Company has previously considered other acquisition opportunities in the proximity of Dengfeng City, which did not materialise because the Company chose not to proceed with such acquisition after considering factors such as complexity of the acquisition process, production capacity of the proposed targets and compliance with the business strategy of the Group. Further, we have discussed with the Company that the reasons for they decided not to considered the aforesaid acquisition opportunities also included (i) certain acquisition opportunities do not have limestone site and require to procure raw materials from other suppliers; or (ii) the owners of the companies of certain acquisition opportunities are unwilling to sell their businesses; or (iii) the location of the factories of certain acquisition opportunities either too close to the Group or too far away from the Group's existing market in Henan Province. Furthermore, as stated in the Letter from the Board, the production facilities of Yongan Cement and Xindeng Cement located (i) within approximately 60 kilometres from each other; and (ii) within approximately 50 kilometres from both Zhengzhou City and Luoyang City, the Acquisition would allow the Group to further expand its market coverage such as Luoyang City, in which the Company has not yet well developed the market coverage and comparative advantage, and supplement and create synergy with the existing key markets in Henan Province, which is in compliance with the Group's strategy to have its cement grinding facilities located strategically in proximity to its end markets with the aims to lower transportation costs and increase pricing competitiveness. The Directors are also of the view that the Company does not have concentration risk arising from the Acquisition since the Company has minimal market coverage in markets covered by the Target Companies described above. As the results, we concur with the Company that the Target Companies are the most suitable companies. The Directors believed the acquisition of Target companies would give a better synergy by (i) reducing competition in the Group's core market as the Target Companies' market coverage has a degree of overlapping with that of the subsidiaries of the Group. In addition, the Directors consider that simultaneous acquisition of the Target Companies will enable the Group to manage the current competitive conflicts between the two Target Companies which would in turn improve the Group's market coverage and bargaining power in the market of Henan Province; (ii) enabling the Group to reach new customers in addition to the Target Companies' existing customers through close collaboration between the Target Companies (with geographical advantage) and other subsidiaries of the Group (which can provide greater support in terms of quality control, logistics, supply and financial resources), enabling the Group after the Acquisition to bid for and take part in large scale infrastructure projects involving new customers in the expanded regional markets; (iii) expanding the Group's capacity and capability to serve more tenders relating to infrastructure projects within the Group's existing core market; and (iv) lowering the Group's unit production and operational cost as a whole by means of sharing the same regional sale force and the same group of raw material and coal suppliers with the Target Companies. Please refer to the section of "Non-competition deed and reasons for the Acquisition" in the Letter from the board for details. As the results, we concur with the Company decided to exercise the option under the Non-competition Deed. According to the Non-competition Deed, Tianrui Group Company has also granted the Company the option to acquire the Target Companies when the Company considers it is appropriate. Tianrui Group has to fulfill its obligation under the Non-competition Deed and sell the Target Companies to the Company in accordance with the terms of the Non-competition Deed.

Having taken into account (i) the Group's business development strategy; (ii) the policies of the government of Henan Province and the expected industry prospect; and (iii) the option exercise by the Group under the Non-competition Deed, we consider that the entering into of the Acquisition Agreement is reasonable under the Group's present development and is in the ordinary and usual course of business of the Company.

II. Principle terms of the Acquisition Agreement

On 25 November 2016 (after trading hours), the Company and Tianrui Group Company entered into the Acquisition Agreement, pursuant to which Tianrui Group Company conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Shares, which represent 100% equity interest in Yongan Cement and 55% equity interest in Xindeng Cement. The principal terms of the Acquisition Agreement have been set out in the Letter from the Board and are summarized below.

1. Condition precedent

The Acquisition is conditional upon, among others:

(a) the Company being reasonably satisfied with the results of such enquiries, investigations and due diligence reviews of the business affairs, operations and financial position of Yongan Cement and Xindeng Cement by the Company or any of its officers, employees, agents, professional advisers or other agents as the Company in its discretion deems necessary, desirable or appropriate to undertake;

(b) the Independent Shareholders having approved at the EGM (i) the entering into of the Acquisition Agreement; (ii) the allotment and issue of the Consideration Shares; (iii) all other transactions contemplated under the Acquisition Agreement; and (iv) the Whitewash Waiver, in accordance and in compliance with the Takeovers Code and the Listing Rules;

(c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange, and such approval shall not be revoked prior to the Completion;

(d) the warranties under the Acquisition Agreement remaining true and accurate in all respects and not misleading in any respect as of the date of the Completion by reference to the facts and circumstances subsisting thereat;

(e) no notice, order, judgment, action or proceeding of any court, arbitrator, authority, statutory or regulatory body having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the Acquisition Agreement or which is reasonably likely to materially and adversely affect the right of the Company to own the legal and beneficial title to the Sale Shares, free from encumbrances, following Completion;

(f) save for the approvals and consents referred to in (b) and (c) above, all necessary approvals and consents required to be obtained by either of the parties to the Acquisition Agreement from any authority or other third party in respect of the Acquisition Agreement and/or the transactions contemplated thereunder having been obtained unconditionally and irrevocably, or where such approval or consent is given subject to conditions, on such conditions as are acceptable to the Company;

(g) Tianrui Group Company having complied with all its obligations under the Acquisition Agreement which are required to be complied with before Completion;

(h) the Whitewash Waiver having been granted;

(i) the Company having received a legal opinion issued by a PRC legal adviser appointed by the Company in such form and substance to the satisfaction of the Company; and

(j) Tianrui Group Company having become and remained as the registered owner of the Sale Shares which shall be free from any encumbrances prior to Completion.

If any of the conditions above is not satisfied or waived on or before the Long-Stop Date, the Acquisition Agreement shall lapse automatically, without prejudice to the rights and liabilities of any party accrued prior to such lapse. As at the Latest Practicable Date, none of the conditions set out above has been satisfied or waived. In respect of the condition set out in (f) above, the Directors confirm that there are no other required approvals and consents identified as at the Latest Practicable Date save for the approvals and consents referred to in the conditions set out in (b) and (c) above.

Notwithstanding anything to the contrary, the conditions above (other than the conditions set out in (b), (c) and (h) above) may be waived by the Company unilaterally; and Tianrui Group Company is not entitled to waive any of the condition set out above.

2. Consideration

As stated in the Letter from the Board, the Consideration for the Sale Shares shall be in total RMB919,000,000. The Consideration for the Acquisition will be settled by allotment and issue of the Consideration Shares to Yu Kuo (an indirect wholly-owned subsidiary of Tianrui Group Company), credited as fully paid, at the Issue Price upon Completion.

The Issue Price shall represent the average closing price for the 10 consecutive trading days immediately preceding the date of the Acquisition Agreement. Based on the closing prices for the 10 consecutive trading days immediately preceding the date of the Acquisition Agreement, the Issue Price shall be HK$1.92. An exchange rate of HK$1 for RMB0.89070 shall be adopted for calculating the number of the Consideration Shares to be issued.

A total of 537,381,647 Shares will be allotted and issued by the Company to satisfy the Consideration, which represent approximately 22.38% of the issued share capital of the Company as at the Latest Practicable Date and approximately 18.29% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there no other changes to the issued capital of the Company from the Latest Practicable Date to Completion).

The Consideration Shares, when allotted and issued, will rank equally in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares.

The Consideration Shares will be allotted and issued under the Specific Mandate and is subject to the Independent Shareholders' approval at the EGM. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

III. Evaluation of the Consideration

As stated in the Letter from the Board, the Consideration was arrived after arm's length negotiations between the parties to the Acquisition Agreement and by reference to a number of factors, including, (i) the net asset value of Yongan Cement as being RMB587,686,000 as at 30 June 2016 as shown in the audited financial statements prepared in accordance with IFRS; (ii) the net asset value of the Xindeng Cement as being RMB498,453,000 as at 30 June 2016 as shown in the audited financial statements prepared in accordance with IFRS; and (iii) the valuation of 100% of the equity interest in Yongan Cement and 55% of the equity interest in Xindeng Cement set out in the Valuation Report. The Directors advised that the consideration paid by Tianrui Group Company is one of the factors in determining the Consideration because the Consideration of the Acquisition has to be lower than the total consideration of paid by Tianrui Group Company as required under the Non-competition Deed. The Company determined the Consideration also based on other various factors, such as the net asset value of the Target Companies and the Valuation.

1. Net Asset Value of the Target Companies and the consideration of the Vendor to acquire the Sale Shares

The Consideration represents a premium of approximately 6.63% to the aggregate of 100% of the net asset value of Yongan Cement as at 30 June 2016 and 55% of the net asset value of the Xindeng Cement as at 30 June 2016. As shown in the Valuation Report, a total of 24 companies listed on the Hong Kong, Shenzhen and Shanghai stock exchanges (the "**Comparable Companies**") have been selected by the Valuer for the Valuation. Price-to-book multiples of the Comparable Companies are at the range from 0.28 to 8.23 with a median of 1.39. With a view of (i) separating acquisitions of the First Sale Shares and the Second Sale Shares do not reflect the synergy benefits to acquire the Target Companies simultaneously; and (ii) the acquisitions of the Target Companies are collectively considered and negotiated between the Company and Tianrui Group Company, we consider that aggregating the consideration for the Target Companies is fair and reasonable. Moreover, the consideration for the First Sale Shares and the Second Sale Shares are not separately stated in the Acquisition Agreement, it is not feasible to separately evaluate the consideration for the two Target Companies. The ratio of the Consideration to the aggregate of 100% of the net asset value of Yongan Cement as at 30 June 2016 and 55% of the net asset value of the Xindeng Cement as at 30 June 2016 is approximately 1.066, representing a premium of approximately 6.63%, which is within the range and below the median of the Comparable Companies.

According to the Non-competition Deed, Tianrui Group Company has also granted the Company the option to acquire the Target Companies which will be on no less favourable terms than the acquisition by the Controlling Shareholders in the first instance. Thus we consider that the total consideration of

RMB1,425,605,000 paid by Tianrui Group Company to acquire the Sale Shares in the first instance is a relevant factor in analyzing the fairness and reasonableness of the Consideration.

2. The Valuation Report

As stated in the Letter from the Board, the Valuation Report is one of the main factors to determine the Consideration, pursuant to which the appraised value of the entire equity interest of Yongan Cement as at 30 September 2016 was RMB866,000,000 and the appraised value of the 55% in the equity interest of Xindeng Cement as at 30 September 2016 was RMB404,000,000 (the "**Valuation**"). The Consideration represents a discount of approximately 27.6% to the aggregate of the Valuation of the entire equity interest of Yongan Cement and 55% in the equity interest of the Xindeng Cement. Given 30 September 2016 is the latest practicable date to prepare the Valuation as stated in the Valuation Report, we concur with the Directors' view that using 30 September 2016 as the date of Valuation is appropriate. As confirmed by the Valuer, as at the Latest Practicable Date, they do not aware of any adverse material changes on the Valuation as at 30 September 2016.

As stated in the Valuation Report, the Valuer has considered three generally accepted valuation approaches, namely the market-based approach, income-based approach and asset-based approach in arriving at the Valuation. The income-based approach was not adopted because a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made. The asset-based approach was also not adopted because it could not capture the future earning potential of the Target Companies and therefore it could not reflect the market values of the Target Companies. The Valuer has therefore considered the adoption of the market-based approach in arriving at the market values of the Target Companies. We understand from the Valuer that the above valuation method of the Target Companies is in line with the industry practice. We understand that (i) the income approach relies on the financial estimation which may lead to the inaccuracy of the valuation result; (ii) the cost approach only based on the construction cost, which cannot fully reflect the value of the operating business; and (iii) cement industry is a mature industry and there are sufficient number of comparables to conduct the valuation. In this regards, we concur with the view of the Valuer that the market approach is the most appropriate method in valuing the Target Companies. We have not considered other valuation methodology to assess the value of the Target Companies since we concluded that the market-based approach is the most appropriate method to reflect the value of the Target Companies with the reasons as discussed above.

As stated in the Valuation Report, a total of 24 Comparable Companies have been selected for the Valuation. We noted that the selection criteria used in the Valuation include companies listed in Hong Kong or the PRC that (i) is mainly engaged in production and sale of cement in the PRC with at least 50% of their revenue arising from production and sale of cement; and (ii) normal trading of listed stock as at the date of the Valuation, i.e. 30 September 2016. As advised by the Valuer, the 24 Comparable Companies is an exhaustive list based on the aforesaid criteria. We have reviewed and discussed with the Valuer regarding the aforesaid selection criteria and understand that companies with similar business nature and operations as the Target Companies in the cement industry in the PRC were considered as comparable companies. We have also independently searched for comparable companies to the Target Group and noted the same Comparable Companies. On such basis, we consider that the selection criteria are fair and reasonable for the purpose of comparison and the Comparable Companies are able to serve as good pricing indicators in determining the Valuation.

As stated in the Valuation Report, in determining the appropriate valuation multiples of the Comparable Companies, in which the Valuer has considered price-to-sales, price-to-earnings and price-to-book multiples. The operation of the Target Companies and similar cement companies are heavily depend on their assets, and it is a common industry practice to adopt price-to-book multiple in valuing cement companies. Therefore, the Valuer has adopted the price-to-book multiple as the Valuer considered it as the most appropriate multiple in calculating the market values of the Target Companies. After considering (i) price-to-earnings is not applicable in the assessment since Yongan Cement incurred loss for the six months ended 30 June 2016; (ii) the principal activities of the Target Companies are mainly engaged in manufacturing and sale of cement, which are mainly an assets-based Company, we are of the view that using price-to-book multiple is the most appropriate multiple in the market approach valuation.

The Valuer has applied a marketability discount of 16.11% in arriving at the Valuation. As stated in the Valuation Report, the Valuer has made reference to "The 2016 edition of FMV Restricted Stock Study Companion Guide" (the "**Guide**") by FMV Opinions, Inc., which is one of the US preeminent firms offering a broad range of financial advisory services to private and public companies. According to the Guide, a total of 736 private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 through September 2015 were examined. Based on our understanding and discussion with the Valuer, the Guide for marketability discount was adopted by the Valuer due to the lack of similar studies in other countries. In addition, despite all companies in the database of the Guide were traded on the US exchanges and filed with the US Securities and Exchange Commission, since there is no conclusive evidence that suggests any relationship between marketability discount and country of domicile, the Valuer did not make any adjustment on the marketability discount. As the results, the marketability discount of 16.11% is applicable to the Valuation. We have reviewed the Guide and noted that the median discount on transactions of restricted stocks is approximately 16.11%, which is the same as the value adopted in the Valuation Report.

The Valuer advised that compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies, therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. As the Target Companies are not listed and the Valuer advised that it is a market practice to apply a marketability discount with reference to the Guide, we are of the view that the application on a marketability discount to the Valuation by the Valuer is fair and reasonable.

The Valuer has also applied a control premium of 26.70% to reflect the higher marketability of a controlling interest compared to a minority interest. We understand that the Valuer has made reference to "Mergerstat Control Premium Study (1st Quarter 2016)" (the "**Study**"), published by FactSet Mergerstat LLC, which is an independent information provider for merger and acquisition transaction data and the international median excluding negative premiums in the study report is 26.70%, which is the same as adopted in the Valuation Report. Furthermore, the Study examined 116 transactions (comprising 56 U.S. transactions and 60 international transactions) whereby 50.01% or more of a company was acquired for the 1st quarter of 2016. Based on our understanding and discussion with the Valuer, since the Study examines worldwide transactions and there is no conclusive evidence that suggests any relationship between control premium and country of domicile, the Valuer consider the control premium adopted is appropriate without making any adjustment. Since the Company would gain the controlling interest of the Target Companies and the Valuer advised that it is a market practice to apply a control premium in this case, we are of the view that the application of a control premium to the Valuation by the Valuer is justifiable.

As advised by the Valuer, we noted that marketability discount and control premium are commonly adopted in market approach.

Pursuant to Rule 13.80 of the Listing Rules, in order to assess the expertise and independence of the Valuer, we have performed the following steps:

(i) obtained and reviewed the terms of engagement (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuation Report);

(ii) interviewed the Valuer as to their current or prior relationships with the Company, and their respective shareholders; and

(iii) reviewed and discussed with the Valuer on its past experience on valuation in the similar industry.

Based on the work performed as set out above, we understand that (i) the Valuer has more than ten years of experience in the valuations and has experience in valuing companies engaged in the manufacture and sale of clinker and cement industry in the past; and (ii) except for its engagement in respect of the Valuation, it has no current or prior relationships with the Group, Tianrui Group Company, Yongan Cement, Xindeng Cement or their respective shareholders. As such, we are not aware of any matters that would cause us to question Valuer's expertise and independence in conducting the Valuation.

Having considered that (i) market approach is the most appropriate to value the Target Companies; (ii) selection criteria are fair and reasonable for the purpose of comparison; (iii) Comparable Companies are able to serve as good pricing indicators; and (iv) the professional experience and expertise of the Valuer, we are of the view that the Valuation is fair and reasonable so far as the Independent Shareholders are concerned.

Conclusion: Given that (i) a premium of approximately 6.63% of the Consideration to the aggregate of 100% of the net asset value of Yongan Cement as at 30 June 2016 and 55% of the net asset value of the Xindeng Cement as at 30 June 2016 is within the range and below the median of the Comparable Companies; (ii) the Consideration is less than the total consideration of RMB1,425,605,000 paid by Tianrui Group Company to acquire the Sale Shares in the first instance, which is a relevant factor in analyzing the fairness and reasonableness of the Consideration; and (iii) the Valuation is fair and reasonable so far as the Independent Shareholders are concerned as mentioned above, we are of the view that the Consideration is fair and reasonable in this regard.

IV. Evaluation of the Issue Price

1. Historical Price Analysis

The Issue Price represents:

(a) no premium/discount to the closing price of HK$1.92 per Share as quoted on the Stock Exchange on the Last Trading Day;

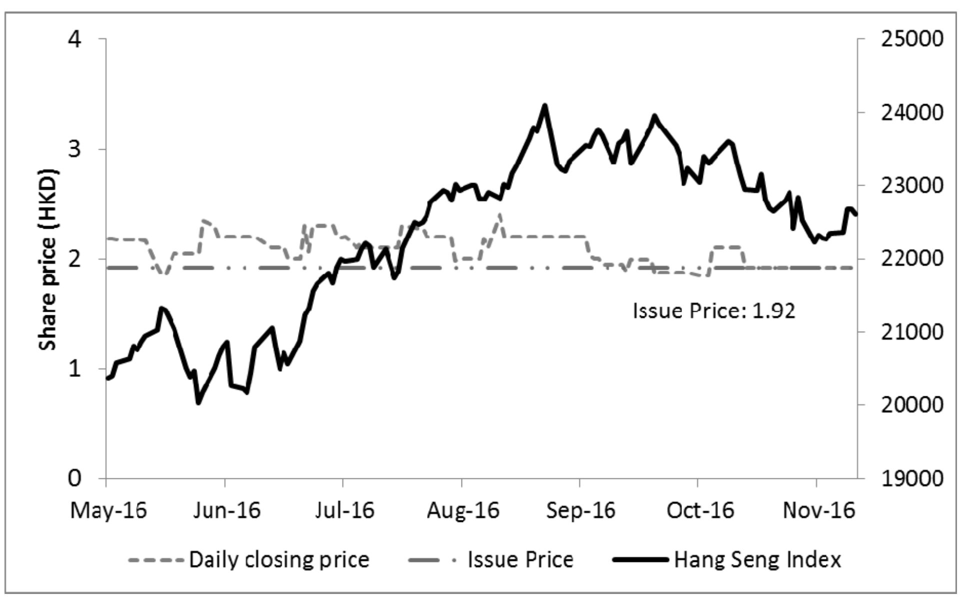
(b) no premium/discount to the average closing price of HK$1.92 per Share for the last 5 consecutive trading days up to and including the Last Trading Day;

(c) no premium/discount to the average closing price per Share of HK$1.92 for the last 10 consecutive trading days up to and including the Last Trading Day; and

(d) a premium of approximately 0.52% over the closing price of HK$1.91 per Share of quote on the Stock Exchange on the Latest Practicable Date.

The Issue Price was arrived at after negotiations between the Company and Tianrui Group Company with reference to, among others, the liquidity and recent trading performance of the Shares. The Directors advise that the Issues Price is determine with reference to the trading price of last 10 consecutive trading days up to and including the Last Trading Day. As stated in the Letter from the Board, the Directors are of the view that using a 10-consecutive-trading-day period in determining the Issue Price would (i) reduce the impact of short-term market volatility, for example, a 5-consecutive-trading-day average price would be more vulnerable than a 10-consecutive-trading-day period to the impact of daily fluctuations of the trading price; and (ii) better reflect the latest market conditions as compared to the use of a longer period. Although there was no trading of the Shares during that 10-consecutive-trading-day period, we noted that the trading volume of the Shares was also very thin and majority of the trading days has no trading volume during the past three months. With a view to reflect the recent market valuation of the Shares, we concur with the Directors that using the 10-consecutive-trading-day period in determining the Issue Price is fair and representative. The Issue Price of HK$1.92 is within the range of the daily closing price of the Shares as quoted on the Stock Exchange from 25 May 2016 (being six months prior to the Last Trading Day) up to and including the Last Trading Day as discuss below.

Set out below is a chart showing the movement of the daily closing price of the Shares as quoted on the Stock Exchange from 25 May 2016 (being six months prior to the Last Trading Day) up to and including the Last Trading Day (the "**Review Period**").



Source: Website of the Stock Exchange (www.hkexnews.hk)

As shown in the above table, the daily closing prices of the Shares ranged from HK$1.85 per Share to HK$2.40 per Share during the Review Period (the "**Historical Price Range**"). The Issue Price of HK$1.92 is within the Historical Price Range. As stated in the Letter from the Board, the Directors are using a 10-consecutive-trading-day period to determine the Issue Price of HK$1.92. Considering (i) although the Issue Price appears to be below the majority of the daily closing price for the period from 25 May 2016 to 27 October 2016 when the price of the Shares fluctuated, the Issue Price still within the range of HK$1.85 per share to HK$2.40 per Share during the period; and (ii) the daily closing price of the Shares remained stable at the price of HK$1.92 per Share, which is same as the Issue Price, for the period from 28 October 2016 to the Last Trading Date of 24 November 2016. Moreover, the trend of the daily closing prices of the Shares is rather stable when compared with the fluctuation of Hang Seng Index. We consider the Review Period of six months for the analysis of the Issue Price is appropriate since we believe (i) the historical price data of six months is long enough to conduct the analysis to form our view; and (ii) the recent six months price data can be the reference of the current share trading price and as a comparison of the Issue Price.

2. Share Comparables Analysis

As there is only one transaction announced on the website of the Stock Exchange in relation to acquisition of companies with similar business operation of the Target Companies which are mainly engaged in manufacturing and sale of cement in the PRC by issuance of shares (the acquisition of four cement companies with issuance of consideration shares at HK$1.35 per share, representing a discount of approximately 6.90% to the closing price on the last trading day, jointly announced by West China Cement Limited (2233.HK) and Anhui Conch Cement Company Limited (914.HK) on 27 November 2015) since 25 November 2015 (being one year before the Last Trading Day) and up to the Last Trading Day, we have conducted an analysis of acquisition by companies listed on the Main Board of the Stock Exchange involving the issue of shares as all or part of the consideration, from 25 August 2016 (being three months before the Last Trading Day) up to the Last Trading Day (the "**Share Comparables**"). There were a total of 27 transactions, which is an exhaustive list in this aforesaid period, and we consider that such transactions can be reference on the recent acquisitions which involved issuance of consideration share given the large number of transactions in such period. We consider it is sufficient to form our view based on the comparison on these recent transactions. Despite the business operations and prospect of the Company are not the same as that of the Share Comparables and we have not conducted any in-depth investigation into the businesses and operations of the Share Comparables, we are of the view that using the below exhaustive list is fair and reasonable to compare with the Acquisition after considering (i) there is one transaction with issuance of consideration shares which has similar business of the Target Companies for the year from the Last

Trading Day; and (ii) there are sufficient number of transactions for the three months from the Last Trading Day to form our view based on these most recent transactions. The table below summarises our relevant findings:

Company Name	Stock code	Principle activities	Date of announcement	(Discount)/Premium of the issue price (to)/ over the closing price per share on the last trading days prior to/ on the date of the announcement/ agreement in relation to the respective issue of consideration share (%)	Average daily trading volume since 25 November 2015 (being one year before the Last Trading Day) and up to the Last Trading Day as a percentage of issued share as at the Last Trading Day
Hengten Networks Group Limited	136	Investment and trading of securities, provision of finance, property investment and manufacturing and sales of accessories for photographic products	21-Nov-16	(19.57)	0.0720%
China Creative Global Holdings Limited	1678	Design, development, manufacture and sales of home decor products, electric fireplaces and air purifiers primarily in the PRC	18-Nov-16	15.40	0.1689%
China Finance Investment Holdings Limited	875	Assets and investment holding and growing, processing and trading of agricultural produce	14-Nov-16	(19.69)	0.5265%
Comtec Solar Systems Group Limited	712	Design, development, manufacture and marketing of solar wafers and ingots, with a focus on high quality monocrystalline solar wafers	14-Nov-16	Nil	0.2010%
Zall Group Ltd.	2098	Development and sales of properties, property management services, development and operation of properties	13-Nov-16	(20.79)	0.1561%
Purapharm Corporation Limited	1498	Research and development, production and sale of concentrated Chinese medicine granule products and Chinese healthcare products, as well as rendering of Chinese medical diagnostic services	9-Nov-16	11.66	0.1060%

Company Name	Stock code	Principle activities	Date of announcement	(Discount)/Premium of the issue price (to)/ over the closing price per share on the last trading days prior to/ on the date of the announcement/ agreement in relation to the respective issue of consideration share (%)	Average daily trading volume since 25 November 2015 (being one year before the Last Trading Day) and up to the Last Trading Day as a percentage of issued share as at the Last Trading Day
China Dredging Environment Protection Holdings Limited	871	Provision of capital dredging, reclamation dredging, maintenance dredging and environmental protection dredging services; and provision of dredging-related construction services	7-Nov-16	(7.89)	0.2778%
China International Capital Corporation Limited	3908	Investment banking business, equity sales and trading business, principal investment and trading business, wealth management business, investment management business and other business activities approved by the CSRC	4-Nov-16	(0.60)	0.2346%
New Concepts Holdings Limited	2221	Foundation, civil engineering and general building works in Hong Kong	2-Nov-16	(6.67)	0.1723%
Shun Tak Holdings Limited *(Note)*	242	Property development, investment and management, transportation, hospitality and investment holding	1-Nov-16	92.27	0.1408%
CMMB Vision Holdings Limited	471	Provision of China Mobile Multimedia Broadcasting services and trading of printed circuit board materials	31-Oct-16	35.59	2.8694%
Digital Domain Holdings Limited	547	Property investment business, trading business and media entertainment business	28-Oct-16	1.67	0.4516%
Phoenix Healthcare Group Co. Ltd	1515	Provision of general hospital services and hospital management services; supply pharmaceuticals medical devices and medical consumables hospitals and clinics	28-Oct-16	(23.00)	0.3130%

Company Name	Stock code	Principle activities	Date of announcement	(Discount)/Premium of the issue price (to)/ over the closing price per share on the last trading days prior to/ on the date of the announcement/ agreement in relation to the respective issue of consideration share (%)	Average daily trading volume since 25 November 2015 (being one year before the Last Trading Day) and up to the Last Trading Day as a percentage of issued share as at the Last Trading Day
Prosperity International Holdings (H.K.) Limited	803	Mining and trading of iron ore and raw materials; real estate investment and development; trading of clinker, cement and other building materials; and mining and processing of granite and selling of granite products	26-Oct-16	5.63	0.1060%
Ping Shan Tea Group Limited *(Note)*	364	Provision of fabric processing services and manufacture and sale of fabrics; manufacture and sale of yarns and blankets; raw teas, refined teas and other related products	30-Sep-16	117.40	0.6036%
Fullshare Holdings Limited	607	Property development, provision of green building services, investment and healthcare products and services business	19-Sep-16	(31.74)	0.1565%
New Sports Group Limited	299	Provision of outsourcing software development services and technical support services	19-Sep-16	(47.46)	0.3671%
Crown International Corporation Limited	727	Property investment and hotel investment and operations	13-Sep-16	Nil	0.1369%
North Asia Resources Holdings Limited	61	Sales of information technology products, system integration, software development, technology service and comprehensive product solution and geological survey, exploration and development of coal, sales of coking coal and coal trading	9-Sep-16	(2.40)	0.2109%
Runway Global Holdings Company Limited	1520	Designing, manufacturing and trading of apparels	5-Sep-16	(31.37)	0.8276%

Company Name	Stock code	Principle activities	Date of announcement	(Discount)/Premium of the issue price (to)/ over the closing price per share on the last trading days prior to/ on the date of the announcement/ agreement in relation to the respective issue of consideration share (%)	Average daily trading volume since 25 November 2015 (being one year before the Last Trading Day) and up to the Last Trading Day as a percentage of issued share as at the Last Trading Day
Realord Group Holdings Limited	1196	Commercial printing; manufacture and sale of hangtags, labels shirt paper boards and plastic bags; operations of sales and distribution of motor vehicle parts	5-Sep-16	38.60	0.2521%
Hoifu Energy Group Limited	7	Petrochemical production, oil and gas exploration and production, mineral mining business and provision of financial services	2-Sep-16	4.48	0.0619%
Imagi International Holdings Limited	585	Computer graphic imaging, cultural and entertainment business, investment business and integrated financial services business	30-Aug-16	(1.48)	0.4351%
Phoenix Healthcare Group Co. Ltd	1515	Provision of general hospital services and hospital management services; supply pharmaceuticals, medical devices and medical consumables hospitals and clinics	30-Aug-16	(37.70)	0.3195%
Fullshare Holdings Limited	607	Property development, provision of green building services, investment and healthcare products and services business	29-Aug-16	(10.00)	0.1565%
Neo-Neon Holdings Limited	1868	Manufacturing and distribution products of LED decorative lighting products, LED general illumination lighting products, incandescent decorative lighting products, entertainment lighting; and distribution of lighting product accessories	29-Aug-16	(5.61)	0.0972%
Asian Citrus Holdings Limited	73	Planting, cultivation and sale of agricultural produce and manufacture and sale of fruit juice concentrates, fruit purees, frozen fruits and vegetables	25-Aug-16	(19.35)	0.1174%

Company Name	Stock code	Principle activities	Date of announcement	(Discount)/Premium of the issue price (to)/ over the closing price per share on the last trading days prior to/ on the date of the announcement/ agreement in relation to the respective issue of consideration share (%)	Average daily trading volume since 25 November 2015 (being one year before the Last Trading Day) and up to the Last Trading Day as a percentage of issued share as at the Last Trading Day
Excluding Shun Tak Holdings Limited and Ping Shan Tea Group Limited					
Maximum *(Note)*				**38.60**	**2.8694%**
Minimum *(Note)*				**(47.46)**	**0.0619%**
Mean *(Note)*				**(7.49)**	**0.3518%**
Median *(Note)*				**(6.67)**	**0.2010%**
The Company				**Nil**	**0.0001%**

Source: from or calculated from information on the Stock Exchange website (www.hkex.com.hk)

Note: Given the premium of the issue price over the closing price per share on the last trading days prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share of Shun Tak Holdings Limited and Ping Shan Tea Group Limited are approximately 92.27% and 117.40%, which are significantly higher than the rest of the Share Comparables. As a result, Shun Tak Holdings Limited and Ping Shan Tea Group Limited were considered as the outliners and excluded from the issue price analysis.

As shown in the above table, the issue prices of the consideration shares of the Share Comparables (excluding Shun Tak Holdings Limited and Ping Shan Tea Group Limited) ranged from a discount of approximately 47.46% to a premium of approximately 38.60% over the respective closing price per share on the last trading days prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share. The mean and the median of the Share Comparables (excluding Shun Tak Holdings Limited and Ping Shan Tea Group Limited) is a discount of approximately 7.49% and a discount of approximately 6.67%, respectively, to the closing price per share on the last trading days prior to/on the date of the announcement/agreement. The Issue Price which is the same as its closing price per share on the Last Trading Day is within the aforementioned market range and above the mean and the median. Further, the liquidity of the Shares was thin since 25 November 2015 (being one year before the Last Trading Day) and up to the Last Trading Day (the average daily trading volume of the Company during the period was approximately 0.0001% of total issued share as of the Last Trading Day), which is significantly below the range, the median and the mean of that of the Share Comparables (excluding Shun Tak Holdings Limited and Ping Shan Tea Group Limited).

Conclusion: Given that (i) the Issue Price is same as the closing price per Share on the Last Trading Day as mentioned in the paragraph headed "Historical Price Analysis" above; (ii) the Issue Price is within the Historical Price Range as mentioned in the paragraph headed "Historical Price Analysis" above; and (iii) the Issue Price has no premium or discount to the closing price per Share on the Last Trading Day, which is above the mean and the median and within the range of the premium/discount of the issue price over/to the closing price per share on the lasting trading days prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share of the Share Comparables (excluding Shun Tak Holdings Limited and Ping Shan Tea Group Limited), the Issue Price, which is determined with reference to the closing prices of the Shares, is in the interest of the Independent Shareholders.

The liquidity of the Shares was thin since 25 November 2015 (being one year before the Last Trading Day) and up to the Last Trading Day（the average daily trading volume of the Company during the period was approximately 0.0001% of total issued share as at the Last Trading Day）, which is significantly below the range, the median and the mean of that of the Share Comparables (excluding Shun Tak Holdings Limited and Ping Shan Tea Group Limited), as mentioned in the paragraph headed "Share Comparables Analysis" above. We consider that the market liquidity of the Shares indicates whether the closing prices of the Company are attractive to the independent investors. Given the low trading volume of the Shares, we consider that the closing prices of the Shares at the Review Period were not attractive to the independent investors and the issuing the Consideration Shares to Tianrui Group Company at the closing prices of the Shares at a such low market liquidity of the Shares to settle the Acquisition is in the interest of the Company and the Independent Shareholders after considering the cash and cash equivalent of the Group as at 30 June 2016 of approximately RMB747.9 million as stated in the 2016 Interim Report, which is not sufficient to settle the Acquisition.

V. Dilution Effect on the Shareholding in the Company

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion (assuming that save for the issue of the Consideration Shares, there is no issue or repurchase of Shares by the Company from the Latest Practicable Date to the date of Completion and there is no grant and exercise of any options under the Share Option Scheme):

	As at the Latest Practicable Date		**Upon Completion**	
Yu Kuo and its parties acting in concert	*No. of Shares*		*No. of Shares*	
Yu Kuo *(Note)*	950,000,000	39.57%	1,487,381,647	50.62%
Wan Qi *(Note)*	689,400,000	28.71%	689,400,000	23.46%
Sub-total:	1,639,400,000	68.28%	2,176,781,647	74.08%
Public Shareholders				
PA Investment Funds SPC — PA Greater China Industrial Opportunities Fund Segregated Portfolio	237,600,000	9.90%	237,600,000	8.09%
Yue Xiu Investment Fund Series Segregated Portfolio Company	123,000,000	5.12%	123,000,000	4.19%
Other public Shareholders	400,900,000	16.70%	400,900,000	13.64%
Total	2,400,900,000	100%	2,938,281,647	100%

Note: Wan Qi is a company incorporated in BVI with limited liability and is wholly-owned by Mr. Tang Ming Chien. Wan Qi and Mr. Tang Ming Chien are presumed to be acting in concert with Yu Kuo and other Controlling Shareholders under the Takeovers Code as it holds more than 20% interests in the Company.

It is noted that the shareholding of the existing public Shareholders would decrease from approximately 31.72% to 25.92% immediately after Completion, representing a dilution of approximately 5.80%. Taking into account that (i) the entering into of the Acquisition Agreement is reasonable as mentioned in the paragraph headed "Reasons and benefits for entering into of the Acquisition Agreement" above; and (ii) the consideration for the Acquisition and the Issue Price are fair and reasonable as mentioned in the paragraphs headed "Evaluation of the Consideration for the Acquisition" and "Evaluation of the Issue Price" above respectively, we consider the possible dilution effect on the shareholding interests of the public Shareholders to be justifiable.

VI. Financial Effect

1. Earnings

Following Completion, the Target Companies will be accounted for a subsidiary of the Company and the financial results of the Target Company will be reflected in the consolidated financial statements of the Group. Yongan Cement had a net loss of approximately RMB17.18 million, while Xindeng Cement earned a net profit of approximately RMB14.38 million for the six months ended 30 June 2016. As advised by the Directors that the Acquisition could help to expand market coverage of the Group to regional markets such as Luoyang City, Gongyi City and Dengfeng City such that it could enhance the future earning potential of the Group. Moreover, due to the favourable prospect of the Target Companies as mentioned in the paragraphs headed "Background information of the Group, Tianrui Group Company and the Target Companies — Target Companies" and "Reasons and benefits for entering into of the Acquisition Agreement" above, the Directors are of the view that the Acquisition would bring positive impact to the performance of the Group. We concur the view of the Directors after considering the business strategies of the Company, the recent government policies and the industry commentaries including the article and statistics from the website of 數字水泥網 (Digital Cement Website*) as stated in the aforesaid paragraphs.

2. Net asset value and working capital

According to the 2016 Interim Report, the consolidated net asset value of the Group was approximately RMB7,580.94 million as at 30 June 2016. As the Consideration will be settled by the Consideration Shares, the Directors are of the view that the Acquisition would not have any material impact on the Group's net asset value and the working capital following Completion.

With the satisfaction of the Consideration by issuing new Shares, the net asset base of the Group is expected to be enlarged upon Completion but the number of issued shares is also expected to be increased. It is expected that there will be a dilution of the Group's net asset value per Share upon Completion.

3. Gearing

As the Consideration will be settled by the Consideration Shares, the Directors are of the view that the gearing ratio (calculated as to total liabilities divided by total assets) of the Group will decline as the total assets of the Group will be increased due to the issue of the Consideration Shares.

Although it is expected that there will be a dilution of the Group's net asset value per Share upon Completion, as the Acquisition would bring positive impact to the performance of the Group, not have any material impact on the Group's net asset value and the working capital and decrease the gearing ratio (calculated as to total liabilities divided by total assets) of the Group, we are of the view that the Acquisition is beneficial to the Group from the financial point of view.

Shareholders should note that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Acquisition.

THE WHITEWASH WAIVER

As stated in the Letter from the Board, as at the Latest Practicable Date, Yu Kuo, which was an indirect wholly-owned subsidiary of Tianrui Group Company which is owned as to 70% by Chairman Li, who directly holds approximately 39.57% of the entire issued share capital of the Company. Under the Takeovers Code, Wan Qi and its sole shareholder Mr. Tang Ming Chien are presumed to be acting in concert with Yu Kuo as Wan Qi is holding approximately 28.71% (which is more than 20%) of the entire issued share capital of the Company. The aggregate number of Shares held by Yu Kuo and Wan Qi is 1,639,400,000, representing approximately 68.28% of the entire issued share capital of the Company as at the Latest Practicable Date.

Immediately after Completion and assuming there are no other changes to the issued share capital of the Company from the date of the Latest Practicable Date to Completion, Yu Kuo and Wan Qi (being a party which is presumed to be acting in concert with Yu Kuo under the Takeovers Code) will hold approximately 74.08% of the Company's then enlarged issued share capital. Despite the fact that Yu Kuo and Wan Qi hold in aggregate more than 50% of the entire issued share capital of the Company, as the shareholding of Yu Kuo itself will increase from approximately 39.57% to 50.62% as a result of the Acquisition assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date to Completion, pursuant to Rule 26.1 of the Takeovers Code, Yu Kuo will be required to make a mandatory general offer for all the issued shares in the share capital of the Company not already owned or agreed to be acquired by Yu Kuo and parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive.

In this regard, an application has been made on behalf of Yu Kuo to the Executive for the Whitewash Waiver. The Executive has indicated that it will grant the Whitewash Waiver, subject to,among other things, the approval of the Independent Shareholders at the EGM by way of poll.

If the Whitewash Waiver is approved by the Independent Shareholders by way of poll, the obligation of general offer of Yu Kuo will be waived and Yu Kuo can increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

Yu Kuo, Wan Qi (being a party which is presumed to be acting in concert with Yu Kuo under the Takeovers Code) and the parties who are acting in concert with Yu Kuo and Wan Qi will abstain from voting at the EGM to approve the Acquisition Agreement and the Whitewash Waiver. Save as aforesaid, none of the Shareholders has any material interest in the transactions contemplated under the Acquisition Agreement, nor is interested in or involved in the Acquisition or the Whitewash Waiver and is therefore not required to abstain from voting at the EGM.

The Acquisition Agreement is conditional on, among others, the Whitewash Waiver has been granted by the Executive and approved by the Independent Shareholders at the EGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Acquisition Agreement will not become unconditional and the Acquisition will not proceed. Such conditions to the Acquisition Agreement cannot be waived.

Taking into account that (i) the entering into of the Acquisition Agreement is fair and reasonable as mentioned in the paragraph headed "Reasons and benefits for entering into of the Acquisition Agreement" above; (ii) the Consideration, issuing the Consideration Shares to settle the Acquisition and the Issue Price are fair and reasonable as mentioned in the paragraphs headed "Evaluation of the Consideration" and "Evaluation of the Issue Price" above respectively; and (iii) the possible dilution effect on the shareholding interests of the public Shareholders is justifiable as mentioned in the paragraph headed "Dilution effect on the shareholding in the Company" above, we are of the opinion that the Whitewash Waiver is in the interests of the Independent Shareholders and is fair and reasonable so far as the Independent Shareholders are concerned as the Acquisition will not proceed if the Whitewash Waiver is not approved by the Independent Shareholders at the EGM.

RECOMMENDATION

Although one of the Target Companies, Yongan Cement, is loss making for the six months ended 30 June 2016, having considered (i) the Group's business development strategy; (ii) the policies of the government of Henan Province and the industry prospect; (iii) the evaluation of Consideration and the Issue Price; and (iv) the financial effect of the Acquisition, we concluded that the terms of the Agreement including the issue of the Consideration Shares and the Whitewash Waiver are on normal commercial terms and are fair and reasonable in so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend (i) the Listing Rules IBC to advise the Independent Shareholders to vote in favor of the ordinary resolutions in relation to the Acquisition Agreement and the transactions contemplated thereunder; (ii) the Takeovers Code IBC to advise the Independent Shareholders to vote in favor of the ordinary resolutions in relation to the Acquisition Agreement, the transactions contemplated thereunder and the

Whitewash Wavier; and (iii) the Independent Shareholders, to vote in favor of the ordinary resolutions in relation to the Acquisition Agreement, the transactions contemplated thereunder and the Whitewash Wavier.

Yours faithfully,
For and on behalf of
TC Capital International Limited
Edward Wu
Chairman

Note: Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2005. He has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

*The English translation of the Chinese name(s) in this letter, where indicated with * is included for information purpose only and should not be regarded as the official English name(s) of such Chinese names.*

A. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the audited consolidated financial information of the Group for the years ended 31 December 2013, 2014 and 2015 as extracted from the published financial statements of the Group in the annual report of the Company for the years ended 31 December 2013, 2014 and 2015; and the unaudited consolidated financial information of the Group for the six months period ended 30 June 2016 as extracted from the published financial statements of the Group in the interim results for the six months ended 30 June 2016. There were no exceptional items, whether because of size, nature or incidence, in the financial statements of the Group for the six months ended 30 June 2016 and each of the three years ended 31 December 2015.

The auditor of the Company for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 was Deloitte Touche Tohmatsu. The audit opinions of Deloitte Touche Tohmatsu in respect of the above periods were not qualified and there were no modified opinions.

RESULTS

	For the six months ended 30 June	For the year ended 31 December		
	2016	**2015**	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(audited)	(audited)	(audited)
Revenue	3,095,494	6,195,093	8,950,286	8,661,166
Cost of sales	(2,319,429)	(4,947,939)	(6,892,772)	(6,766,176)
Gross profit	776,065	1,247,154	2,057,514	1,894,990
Other income and other gains and losses	195,675	447,310	446,756	400,726
Distribution and selling expenses	(141,784)	(334,315)	(389,954)	(347,121)
Administrative expenses	(171,217)	(374,468)	(382,337)	(405,620)
Other expenses	(20,018)	(92,042)	(18,027)	(61,545)
Finance costs	(416,282)	(1,030,682)	(961,199)	(752,107)
Profit before tax	222,439	312,526	752,753	729,323
Income tax expense	(59,565)	(29,021)	(212,635)	(246,278)
Profit and total comprehensive income for the year	162,874	283,505	540,118	483,045
Profit (loss) and total comprehensive income (expense) for the year attributable to:				
Owners of the Company	178,050	313,079	564,938	558,955
Non-controlling interests	(15,176)	(29,574)	(24,820)	(75,910)
	162,874	283,505	540,118	483,045
Earnings per share				
Basic	0.07	0.13	0.24	0.23
Dividend *(Note)*	Nil	Nil	0.21	Nil

Note: A total of dividend of RMB0.21 per Share (comprising final dividend of RMB0.15 per share and special dividend of RMB0.06 per Share) was declared and distributed for the year of 2014.

ASSETS AND LIABILITIES

	As at 30 June 2016 *RMB'000* (unaudited)	**As at 31 December 2015** *RMB'000* (audited)	**As at 31 December 2014** *RMB'000* (audited)	**As at 31 December 2013** *RMB'000* (audited)
Non-Current Assets	16,270,847	17,168,644	16,826,251	14,362,947
Current Assets	8,354,267	9,921,998	7,837,624	7,455,301
Current Liabilities	11,333,786	13,784,777	12,859,211	10,352,117
Net Current Liabilities	(2,979,519)	(3,862,779)	(5,021,587)	(2,896,816)
Total Assets Less Current Liabilities	13,291,328	13,305,865	11,804,664	11,466,131
Equity attributable to owners of the Company	7,648,333	7,470,283	7,435,960	6,873,809
Non-controlling interests	(67,398)	(52,222)	(22,648)	(3,308)
Total Equity	7,580,935	7,418,061	7,413,312	6,870,501
Non-Current Liabilities	5,710,393	5,887,804	4,391,352	4,,595,630

B. AUDITED ANNUAL FINANCIAL STATEMENTS

The following is an extract of audited financial statements of the Group for the year ended 31 December 2015 together with the notes thereto from the annual report of the Company for the year ended 31 December 2015.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	6, 7	**6,195,093**	8,950,286
Cost of sales		**(4,947,939)**	(6,892,772)
Gross profit		**1,247,154**	2,057,514
Other income and other gains and losses	8	**447,310**	446,756
Gain on fair value change of derivative financial assets	24	**449,569**	—
Distribution and selling expenses		**(334,315)**	(389,954)
Administrative expenses		**(374,468)**	(382,337)
Other expenses		**(92,042)**	(18,027)
Finance costs	9	**(1,030,682)**	(961,199)
Profit before tax		**312,526**	752,753
Income tax expense	10	**(29,021)**	(212,635)
Profit and total comprehensive income for the year	11	**283,505**	540,118
Profit and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**313,079**	564,938
Non-controlling interests		**(29,574)**	(24,820)
		283,505	540,118

		2015 RMB	2014 RMB
Earnings per share			
Basic	14	**0.13**	0.24

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**12,491,514**	12,732,279
Deposits and advances	17	**2,431,208**	2,664,193
Prepaid lease payments	18	**811,594**	824,284
Mining rights	19	**255,406**	267,328
Goodwill	20	**272,311**	272,311
Other intangible assets	21	**6,607**	7,359
Interests in associates	22	**105,271**	—
Derivative financial assets	24	**678,809**	—
Deferred tax assets	38	**115,924**	58,497
		17,168,644	16,826,251
CURRENT ASSETS			
Inventories	23	**832,241**	1,331,028
Trade and other receivables	25	**3,170,116**	2,106,064
Amount due from an associate	27	**508,064**	458,635
Pledged bank balances	28	**4,689,266**	2,968,595
Cash and bank balances	29	**722,311**	973,302
		9,921,998	7,837,624
CURRENT LIABILITIES			
Trade and other payables	30	**4,112,868**	4,813,115
Short term debentures	31	**3,792,019**	2,296,446
Mid-term debentures — due within one year	35	**1,300,000**	700,000
Borrowings — due within one year	32	**4,334,423**	4,825,815
Obligations under finance leases	33	**55,358**	51,652
Tax liabilities		**179,472**	162,863
Financial guarantee contracts	34	**10,637**	9,320
		13,784,777	12,859,211
NET CURRENT LIABILITIES		**(3,862,779)**	(5,021,587)
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,305,865**	11,804,664

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CAPITAL AND RESERVES			
Share capital	41	**19,505**	19,505
Share premium and reserves		**7,450,778**	7,416,455
Equity attributable to owners of the Company		**7,470,283**	7,435,960
Non-controlling interests	52	**(52,222)**	(22,648)
TOTAL EQUITY		**7,418,061**	7,413,312
NON-CURRENT LIABILITIES			
Borrowings — due after one year	32	**155,000**	220,000
Mid-term debentures	35	**2,384,171**	1,792,595
Long-term corporate bonds	36	**3,057,635**	2,029,079
Other payables	37	**8,400**	8,400
Deferred tax liabilities	38	**56,054**	57,997
Deferred income	39	**177,483**	180,854
Obligations under finance leases	33	**28,887**	84,328
Provision for environmental restoration	40	**20,174**	18,099
		5,887,804	4,391,352
		13,305,865	11,804,664

The consolidated financial statements on pages 47 to 131 were approved and authorised for issue by the board of directors on 15 March 2016 and are signed on its behalf by:

DIRECTOR	DIRECTOR
Xu, Wuxue	**Li, Jiangming**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company									
	Share Capital RMB'000 (Note 41)	**Share premium** RMB'000	**Capital reserve** RMB'000 (note i)	**Statutory reserve fund** RMB'000 (note ii)	**Other reserves** RMB'000 (note iii)	**Revaluation reserve** RMB'000 (note iv)	**Retained earnings** RMB'000	**Subtotal** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
At 1 January 2014	19,505	1,275,536	789,990	413,244	826,336	31,768	3,517,430	6,873,809	(3,308)	6,870,501
Profit (loss) and total comprehensive income (expense) for the year	—	—	—	—	—	—	564,938	564,938	(24,820)	540,118
Acquisition of subsidiaries *(Note 49)*	—	—	—	—	—	—	—	—	2,150	2,150
Capital injection by non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	3,330	3,330
Transfers	—	—	—	59,123	—	—	(59,123)	—	—	—
Financial guarantee provided to related parties *(Note 34)*	—	—	—	—	(2,787)	—	—	(2,787)	—	(2,787)
At 31 December 2014	19,505	1,275,536	789,990	472,367	823,549	31,768	4,023,245	7,435,960	(22,648)	7,413,312
Profit (loss) and total comprehensive income (expense) for the year	—	—	—	—	—	—	313,079	313,079	(29,574)	283,505
Transfers *(note v)*	—	(1,270,896)	—	17,992	—	—	1,252,904	—	—	—
Dividend distribution	—	—	—	—	—	—	(504,189)	(504,189)	—	(504,189)
Financial guarantee provided to related parties *(Note 34)*	—	—	—	—	(3,807)	—	—	(3,807)	—	(3,807)
Options granted by the shareholder *(Note 24)*	—	—	—	—	229,240	—	—	229,240	—	229,240
At 31 December 2015	19,505	4,640	789,990	490,359	1,048,982	31,768	5,085,039	7,470,283	(52,222)	7,418,061

Note:

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

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

iii Other reserves mainly comprise: (1) China Tianrui Group Cement Company Limited (the "Company") was incorporated on 7 February 2011 and became the ultimate holding company of Zhong Yuan Cement Company Limited and China Tianrui (Hong Kong) Company Limited and Tianrui Cement and its subsidiaries (collectively referred to as the "Group") on 8 April 2011. On 2 April 2011, 474,526 shares as nil paid was allotted and issued to Yu Kuo Company Limited. As part of reorganization, Yu Kuo Company Limited applied a bridging loan in the net amount of USD87,433,333 to pay up 474,526 shares. The amount of USD87,433,333 (equal to approximately RMB565,516,000) in excess of the par value of 474,526 shares was recognised in share premium and the resulting difference between the paid-in capital of Tianrui Cement amounting to RMB1,397,135,000 after deducting the nominal value of shares issued to Yu Kuo Company Limited and the share premium amounting to RMB 831,615,000 was recognized in other reserve upon the completion of the corporate reorganization; (2) the fair value of financial guarantee contracts at initial recognition provided to subsidiaries of Tianrui Group Company Limited ("Tianrui Group") as detailed in Note 34 which was considered as deemed distribution to Tianrui Group; (3) the fair value of options at initial recognition granted by Tianrui Group as detailed in Note 24 which was considered as deemed contribution from Tianrui Group.

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

v Share premium of the Company about RMB1,270,896,000 was transferred to retained earnings during the year ended 31 December 2015 based on the approval of the Company's board of directors.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015	2014
	RMB'000	RMB'000
Cash flows from operating activities:		
Profit for the year	**283,505**	540,118
Adjustments for:		
Income tax expense recognised in profit or loss	**29,021**	212,635
Release of deferred income	**(8,171)**	(8,074)
Interest on bank deposits	**(132,758)**	(77,239)
Share of profit of an associate	**(271)**	—
Gain on fair value change of derivative financial assets	**(449,569)**	—
Depreciation of property, plant and equipment	**753,541**	722,847
Finance costs recognised in profit or loss	**1,030,682**	961,199
Foreign exchange loss	**46,030**	4,596
Release of financial guarantee liability	**(2,490)**	(2,177)
Release of prepaid lease payments	**18,803**	17,905
Allowances for bad and doubtful debts	**1,519**	26,044
Amortisation of mining rights	**14,501**	14,920
Amortisation of other intangible assets	**752**	867
Gain on disposal of property, plant and equipment	**(3,081)**	(875)
Write-down of inventories	**2,932**	—
Provision for environmental restoration	**2,075**	3,469
Operating cash flows before movements in working capital	**1,587,021**	2,416,235
Movements in working capital		
Decrease in inventories	**495,855**	10,117
Increase in trade and other receivables	**(1,014,717)**	(258,047)
Increase in amount due from an associate	**(49,429)**	(458,635)
Decrease in amount due to an associate	**—**	(31,434)
(Decrease) increase in trade and other payables	**(796,758)**	832,773
(Decrease) increase in discounted bills with recourse	**(34,126)**	735
Cash generated from operations	**187,846**	2,511,744
Income tax paid	**(71,782)**	(173,113)
Net cash from operating activities	**116,064**	2,338,631

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Cash flows from investing activities:			
Interest received		**81,750**	156,016
Capital injection for investment in an associate		**(105,000)**	—
Acquisition of subsidiaries (net)	49	**—**	(40,171)
Payment for acquisition of subsidiaries		**(8,000)**	(14,833)
Purchase of property, plant and equipment		**(389,507)**	(754,577)
Addition of prepaid lease payments		**(5,959)**	(23,771)
Acquisition of mining rights		**(2,579)**	(66,718)
Proceeds from disposal of property, plant and equipment		**5,110**	2,037
Deposits/advances paid to acquisition of businesses		**(438,200)**	(2,121,915)
Deposits/advances refunded/repaid from acquisition of businesses		**618,216**	—
Government grants for prepaid lease payments		**4,800**	4,968
Increase in pledged bank balances		**(1,720,671)**	(827,388)
Repayment of loan receivables		**—**	915,000
Net cash used in investing activities		**(1,960,040)**	(2,771,352)
Cash flows from financing activities			
Interest paid		**(979,191)**	(894,794)
Dividends paid		**(504,189)**	—
Capital injection from non-controlling shareholders of a subsidiary		**—**	3,330
Repayment of borrowings		**(6,103,678)**	(6,357,979)
New borrowings raised		**5,511,839**	6,781,105
Repayment of finance lease obligations		**(59,816)**	(60,060)
Issuance of short-term debentures		**3,795,573**	2,296,446
Issuance of mid-term debentures		**2,136,176**	992,595
Issuance of long-term corporate bonds		**1,026,322**	29,079
Repayment of short-term debentures		**(2,300,000)**	(2,100,000)
Repayment of mid-term debentures		**(944,600)**	(300,000)
Installment payment on acquisition of mining rights		**(14,400)**	—
Net cash from financing activities		**1,592,985**	389,722
Net decrease in cash and cash equivalents		**(250,991)**	(42,999)
Cash and cash equivalents at beginning of year		**973,302**	1,016,301
Cash and cash equivalents at end of the year represented by cash and bank balances		**722,311**	973,302

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sale of cement and clinker (See Note 52). Tianrui Group Company Limited ('Tianrui Group'), controlled by Mr. Li Liufa, a non-executive director of the Company, indirectly held 39.57% of shareholding of the Company as at 31 December 2015 and 2014.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2015, the Group's current liabilities exceeded its current assets by RMB3,862,779,000. The Group's current liabilities mainly included trade and other payables, borrowings and debentures.

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

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

(i) Unused banking facilities of RMB1,595,000,000 in aggregate are available which have been obtained before 31 December 2015, which comprised of:

(a) a banking facility of RMB810,000,000 from the Agriculture Bank of China which is available until 30 October 2016;

(b) a banking facility of RMB400,000,000 from the Construction Bank of China which is available until 12 November 2016;

(c) a banking facility of RMB200,000,000 from the Ping An Bank Company Limited which is available until 25 October 2016;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

(i) (Cont'd)

(d) a banking facility of RMB100,000,000 from the China Minsheng Bank Company Limited which is available until 16 September 2016;

(e) a banking facility of RMB85,000,000 from the Industrial & Commercial Bank of China Company Limited which is available until 31 July 2016.

(ii) On 8 April 2014, 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 debenture up to a maximum outstanding amount of RMB1,000,000,000 at any point in time within two years effective period through the lead underwriter, China Bohai Bank Company Limited. The first tranche of the debentures of RMB500,000,000 issued on 25 September 2015 carry interest of fixed rates of 8.00% with maturity of one year.

The Directors are of the view that the Group is able to identify investors and issue the second tranche of debentures of RMB500,000,000 before 7 April 2016.

(iii) On 8 December 2014, 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 debenture up to a maximum outstanding amount of RMB600,000,000 at any point in time within two years effective period through the lead underwriter, Pingan Bank Company Limited. The first tranche of the debentures of RMB300,000,000 issued on 8 June 2015 carry interest of fixed rates of 7.75% with maturity of one year.

The Directors are of the view that the Group is able to identify investors and issue the second tranche of debentures of RMB300,000,000 before 8 December 2016.

(iv) On 1 June 2015, the Company obtained approval from the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) to issue short-term debenture up to a maximum outstanding amount of RMB2,000,000,000 at any point in time, subject to reissuance after maturity and settlement prior to expiration of the two years effective period through the lead underwriter, China Bohai Bank Company Limited. The first tranche of the debentures of RMB1,000,000,000 issued on 9 June 2015 carry interest of fixed rates of 5.99% with maturity of 270 days and the second tranche of the short-term debentures of RMB1,000,000,000 issued on 26 June 2015 carry interest of fixed rates of 6.00% with maturity of 270 days.

During the effective period, the Directors are 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

(v) On 31 July 2015, the Company obtained approval from the Shanghai Stock Exchange (上海證券交易所) to issue the corporate bonds up to a maximum outstanding amount of RMB2,000,000,000 at any point in time within 12 months effective period through the lead underwriter, Ever Bright Securities Company Limited. The first tranche of the corporate bonds of RMB150,000,000 issued on 24 September 2015 carry interest of fixed rates of 8.00% with maturity of two years.

The Directors are of the view that the Group is able to identify investors and issue the remaining amount of corporate bonds of RMB1,850,000,000 before 30 July 2016.

Taking into account of the aforesaid presently available banking facilities, 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, for the first time, certain amendments to IFRSs that are mandatorily effective in the current year:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to IAS 7	Disclosure Initiative[5]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses[5]

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after 1 January 2016.
[4] Effective for annual periods beginning on or after a date to be determined.
[5] Effective for annual periods beginning on or after 1 January 2017.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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 at fair value through profit or loss was presented in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

IFRS 9 Financial Instruments (Cont'd)

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Except for the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs, the Directors anticipate that the adoption of IFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2015.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

IFRS 15 Revenue from Contracts with Customers (Cont'd)

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Group is in the process of making an assessment of the impact of IFRS 15 and it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in Note 44, total operating lease commitments of the Group in respect of leased premises as at 31 December 2015 amounted to RMB 36,324,000, the Directors do not expect the adoption of IFRS 16 would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

Other than set out above, the Directors do not anticipate that the application of other new and revised IFRSs will have a material impact on amounts reported in the Group's consolidated financial statements and/or disclosures set out these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Hong Kong Companies Ordinance ("CO").

The provision of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and director's reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at both initial recognition and subsequently at the end of each reporting period, as explained in the accounting policies below.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of preparation (Cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The principle accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (Cont'd)

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

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

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

Business combinations

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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

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

Investment in associates

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment in associates (Cont'd)

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

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

Revenue recognition

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

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

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

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

The Group's policy for the recognition of revenue from financial guarantee contracts is described in the accounting policy for financial guarantee contracts below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress and stripping costs (see the accounting policy below), over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss, if any. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

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

Stripping costs

Stripping costs incurred during the development of a limestone mine and during the production phase which provide improved access to ore are capitalised into property, plant and equipment when certain criteria are met. The costs of normal ongoing operational stripping activities are accounted for in accordance with IAS 2. Depreciation of capitalised stripping costs is provided on a straight-line basis over their estimated useful lives.

Mining rights

Mining rights acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of mining rights with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Prepaid lease payments

Prepaid lease payments represent payments made to acquire land use rights and are amortised on a straight-line basis over the term of the land use rights.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

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

Sale and leaseback transactions

When a sale and leaseback transaction results in a finance lease, the Group neither recognise a sale nor derecognise the relevant asset. The initial cash received from the lessor, together with the present value of the obligation to repurchase the asset are recognised as liabilities to the lessor. If the sales proceeds at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount in accordance with IAS 36.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

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

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

Borrowing costs

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

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

Government grants

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

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

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

Retirement benefits costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contribution.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Short-term employee benefits

A liability is recognized for benefits accruing to employee in respect of wages and salaries annual leave and sick leave, in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

Deferred tax (Cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

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

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial assets is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

(i) it has been acquired principally for the purpose of selling in the near term; or

(ii) on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank balances and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of loans and receivables

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

Objective evidence of impairment could include:

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities and equity instruments

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities including trade and other payables, short term debentures, mid-term debentures, long-term corporate bonds and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instrument

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss arising from subsequent measurement is recognised in profit or loss immediately.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured at cost less impairment.

Financial guarantee contracts

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

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

(ii) the amount initially recognised less, where appropriate, cumulative amortization. The amount initially recognised is amortised on a straight-line basis over the guarantee period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Derivative financial instrument (Cont'd)

Equity instruments

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

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

Derecognition

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Provision for environmental restoration

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Depreciation of property, plant and equipment

As at 31 December 2015, the carrying amount of property, plant and equipment is RMB12,491,514,000 (2014: RMB12,732,279,000). Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group assesses annually the residual value and the remaining useful life of property, plant and equipment and if the expectation differs from the original estimates, such differences from the original estimates will impact the depreciation charges in the year in which the estimates change and in future periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of fair value less costs of disposal and value in use. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected or changes in facts and circumstances which result in downward revision of future estimated cash flows, a material impairment loss may arise. As at 31 December 2015, the carrying amount of goodwill is RMB272,311,000 (2014: RMB272,311,000) and no impairment loss has been provided.

Deferred tax assets

As at 31 December 2015, deferred tax assets of RMB115,924,000 (2014: RMB58,497,000) in relation to temporary differences and unused tax losses have been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB468,417,000 (31 December 2014: RMB307,557,000) and deductible temporary differences of RMB2,932,000 (31 December 2014: nil) due to the unpredictability of future profit streams. The recognition of the deferred tax assets mainly depends on whether sufficient taxable temporary differences or future assessable profits will be available in the future. In cases where the actual future assessable profits generated are less or more than expected, a material reversal or further provision of deferred tax assets may arise, which would be recognised in profit or loss in the period such a reversal takes place.

Estimated impairment of trade receivables

Where there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of trade receivables is RMB362,582,000 (net of allowance for doubtful debts of RMB53,726,000) (31 December 2014: RMB499,211,000 (net of allowance for doubtful debts of RMB52,207,000)).

Fair value of derivative financial instruments

The Group uses binomial option pricing model for derivative financial instruments which are not quoted in an active market. In estimating the fair value, the Group uses observable data to the extent it is available. However, areas such as volatilities, dividend yield, exercise multiples and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of the derivative financial instruments as at 31 December 2015.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. REVENUE

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

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

	2015	2014
	RMB'000	RMB'000
Sales of cement	**5,844,586**	8,193,327
Sales of clinker	**350,507**	756,959
	6,195,093	8,950,286

7. SEGMENT INFORMATION

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

The Group's chief executive officer reviews the Group's internal reporting which is mainly based on two broad geographical locations for the purposes of resource allocation and performance assessment. This is the basis upon which the Group is organised. Management has determined the operating segments based on these reports. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

7. SEGMENT INFORMATION (Cont'd)

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

	Segment revenue		Segment profit	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Central China	**4,773,973**	6,286,386	**259,850**	672,567
Northeastern China	**1,421,120**	2,663,900	**(358,569)**	103,959
Total	**6,195,093**	8,950,286	**(98,719)**	776,526
Unallocated corporate administrative expenses			**(17,138)**	(8,140)
Unallocated other income and other gains and losses			**(21,186)**	(15,633)
Unallocated gain on fair value change of derivative financial assets			**449,569**	—
Profit before tax			**312,526**	752,753

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in Note 4. Segment profit represents the profit before taxation without allocation of certain corporate administrative expense including directors' emoluments, other income and other gains and losses and gain on fair value change of derivative financial assets.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

7. SEGMENT INFORMATION (Cont'd)

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

	2015 RMB'000	2014 RMB'000
SEGMENT ASSETS		
Central China	**20,011,165**	17,378,792
Northeast China	**6,277,884**	7,207,140
Total segment assets	**26,289,049**	24,585,932
Derivative financial assets	**678,809**	—
Deferred tax assets	**115,924**	58,497
Other receivables	**2,686**	9,233
Cash and bank balances	**4,174**	10,213
Total assets	**27,090,642**	24,663,875
SEGMENT LIABILITIES		
Central China	**15,089,023**	13,430,142
Northeast China	**4,331,838**	3,591,075
Total segment liabilities	**19,420,861**	17,021,217
Deferred tax liabilities	**56,054**	57,997
Tax liabilities	**179,472**	162,863
Other payables	**16,194**	8,486
Total liabilities	**19,672,581**	17,250,563

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

— all assets are allocated to operating and reportable segments other than derivative financial assets, deferred tax assets, certain other receivables, and cash and bank balances; and

— all liabilities are allocated to operating and reportable segments other than deferred tax liabilities, tax liabilities and certain other payables.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

7. SEGMENT INFORMATION (Cont'd)

Other segment information

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

For the year ended 31 December 2015

	Central China RMB'000	Northeast China RMB'000	Total RMB'000
Additions to property, plant & equipment	**329,051**	**185,754**	**514,805**
Additions to prepaid lease payments	**5,076**	**883**	**5,959**
Additions to mining rights	**597**	**1,982**	**2,579**
Finance costs	**689,124**	**341,558**	**1,030,682**
Write-down of inventories	**—**	**2,932**	**2,932**
Provision for environmental restoration	**1,854**	**221**	**2,075**
Depreciation and amortisation	**533,211**	**254,386**	**787,597**
(Reverse of) allowance for bad and doubtful debts	**(5,722)**	**7,241**	**1,519**
Gain on disposal of property, plant and equipment	**(1,735)**	**(1,346)**	**(3,081)**
Value Added Tax refund	**(219,816)**	**(19,656)**	**(239,472)**
Incentive subsidies	**(15,090)**	**(15,220)**	**(30,310)**
Interest on bank deposits	**(116,226)**	**(16,532)**	**(132,758)**

For the year ended 31 December 2014

	Central China RMB'000	Northeast China RMB'000	Total RMB'000
Additions to property, plant & equipment	779,470	463,366	1,242,836
Additions to prepaid lease payments	15,921	7,850	23,771
Additions to mining rights	66,718	—	66,718
Finance costs	628,459	332,740	961,199
Provision for environmental restoration	3,052	417	3,469
Depreciation and amortisation	496,299	260,240	756,539
Allowance for bad and doubtful debts	9,723	16,321	26,044
(Gain) loss on disposal of property, plant and equipment	(904)	29	(875)
Value Added Tax refund	(214,481)	(42,519)	(257,000)
Incentive subsidies	(57,760)	(16,892)	(74,652)
Interest on bank deposits	(58,244)	(18,995)	(77,239)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

7. SEGMENT INFORMATION (Cont'd)

Other segment information (Cont'd)

Revenue from major products has been disclosed in Note 6. All of the Group's operations, as well as all external customers and its non-current assets, are located in the PRC.

No revenue from a single customer or a group of customers under common control contributing over 10% of the total revenue of the Group for the year ended 31 December 2015 and 2014.

8. OTHER INCOME AND OTHER GAINS AND LOSSES

	2015	2014
	RMB'000	RMB'000
Value Added Tax refund *(Note i)*	**239,472**	257,000
Incentive subsidies *(Note ii)*	**30,310**	74,652
Foreign exchange loss, net	**(46,030)**	(4,596)
Interest on bank deposits	**132,758**	77,239
Share of profit of an associate	**271**	—
Rental income	**377**	2,058
Release of deferred income *(Note 39)*	**8,171**	8,074
Release of financial guarantee liability	**2,490**	2,177
Income from sundry operations *(Note iii)*	**68,926**	54,764
Gain on disposal of property, plant and equipment	**3,081**	875
Allowance for bad and doubtful debts	**(1,519)**	(26,044)
Software service income	**2,564**	—
Others	**6,439**	557
	447,310	446,756

Note:

i. Value Added Tax refund represents incentives approved by relevant government authorities as a result of utilising industrial waste as part of the production materials.

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

iii. The balances comprise profits from sundry operations incidental to the main revenue-generating activities of the Group including sales of scrap and raw materials etc.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

9. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on:		
Bank borrowings	**286,775**	377,761
Finance leases	**10,253**	11,755
Bills discounted with recourse	**154,669**	196,167
Short term debentures	**251,987**	141,502
Mid-term debentures	**246,482**	178,237
Long-term corporate bonds	**176,347**	148,062
Interest on other payables, including imputed interest	**—**	982
	1,126,513	1,054,466
Less: amounts capitalised in the cost of qualifying assets	**(95,831)**	(93,267)
	1,030,682	961,199

The borrowing costs on general borrowing pool capitalised are calculated by applying capitalisation rate of 6.44% per annum for the year ended 31 December 2015 (2014: 7.09% per annum).

Interest on bills discounted with recourse includes interest on discounted bills issued among subsidiaries of the Group for intra-group transactions of RMB118,036,000 (2014: RMB150,242,000).

10. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
PRC Enterprise Income Tax ("EIT")		
— current year	**83,565**	219,729
— under-provision in prior year	**4,826**	2,726
	88,391	222,455
Deferred tax *(Note 38)*	**(59,370)**	(9,820)
	29,021	212,635

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%.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

10. INCOME TAX EXPENSE (Cont'd)

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.

	2015 RMB'000	2014 RMB'000
Profit before taxation	**312,526**	752,753
Tax at the applicable rate of 25% (2014:25%)	**78,132**	188,188
Tax effect of expenses that are not deductible	**18,438**	5,085
Tax effect of tax losses and deductible temporary difference not recognised	**40,948**	14,173
Tax effect of income not taxable for tax purpose	**(112,392)**	—
Under-provision in prior years	**4,826**	2,726
Others	**(931)**	2,463
Income tax expenses for the year	**29,021**	212,635

11. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

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

	2015 RMB'000	2014 RMB'000
Depreciation of property, plant and equipment	**753,541**	722,847
Release of prepaid lease payments	**18,803**	17,905
Amortisation of mining rights, included in cost of sales	**14,501**	14,920
Amortisation of other intangible assets, included in cost of sales	**752**	867
Total depreciation and amortisation *(note)*	**787,597**	756,539
Less: amounts capitalised to inventories	**708,952**	678,840
	78,645	77,699
Cost of inventories recognised as an expense	**4,947,939**	6,892,772
Staff costs including retirement benefit	**376,022**	387,970
Auditor's remuneration	**3,000**	2,700
Release of financial guarantee liability	**2,490**	2,177

Note:

Depreciation and amortisation amounting to RMB44,047,000 (2014: RMB14,265,000) during the temporary suspension period due to seasonal effect are included in other expenses on the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors and the chief executive officer were as follows:

		2015				2014			
	Note	Fee	Salaries and other allowances	Contributions to retirement benefits schemes	Total emoluments	Fee	Salaries and other allowances	Contributions to retirement benefits schemes	Total emoluments
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors									
Mr. Yang Yongzheng	i	**369**	—	—	**369**	416	—	—	416
Mr. Xu Wuxue		**407**	—	—	**407**	415	—	—	415
Mr. Li Jiangming	ii	**717**	—	—	**717**	401	—	—	401
		1,493	—	—	**1,493**	1,232	—	—	1,232
Non-executive directors									
Mr. Li Liufa		—	—	—	—	—	—	—	—
Mr. Tang Ming Chien	iii	—	—	—	—	—	—	—	—
Mr. Li Heping	vi	—	—	—	—	—	—	—	—
Mr. Yang Yongzheng	i	—	—	—	—	—	—	—	—
		—	—	—	—	—	—	—	—
Independent non-executive directors									
Mr. Ma Chun Fung	iv	—	—	—	—	82	—	—	82
Mr. Kong Xiangzhong		**200**	—	—	**200**	200	—	—	200
Mr. Wang Ping		**201**	—	—	**201**	189	—	—	189
Mr. Du Xiaotang	v	**201**	—	—	**201**	95	—	—	95
		602	—	—	**602**	566	—	—	566
		2,095	—	—	**2,095**	1,798	—	—	1,798

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Note:

i Mr. Yang Yongzheng was re-designated from an executive director to non-executive director of the Company with effect from 3 December 2015. And his emolument shown above was mainly for his service as the executive director which was not allocated between his service as executive director and non-executive director of the Company;

ii Mr. Li Jiangming was appointed as executive director on 11 June 2014;

iii Mr. Tang Ming Chien resigned as non-executive director on 28 May 2014;

iv Mr. Ma Chun Fung resigned as independence non-executive director on 28 May 2014;

v Mr. Du Xiaotang was appointed as independent non-executive director on 11 June 2014.

vi Mr. Li Heping resigned as the chief executive officer of the Company on 1 December 2015 and was appointed as non-executive director on 4 December 2015. His emolument was RMB2,000,000 for the year ended 31 December 2015 (2014: RMB2,000,000) which includes those for services rendered by him as the chief executive officer of the Company and was not allocated between his service as non-executive director and chief executive officer.

vii The emoluments of all directors were calculated based on their respective actual terms of office within the year.

13. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals included three (2014: three) directors and/or chief executive officer of the Company for the year (details of whose emoluments are set out in note 12 above), the emoluments of the remaining two (2014: two) highest paid individuals for the year were as follows:

	2015 **RMB'000**	2014 RMB'000
Salaries and other allowances	**987**	939
Performance related incentive payments	**248**	252
Retirement benefit scheme contribution	**10**	16
	1,245	1,207

The emolument of each of the above employees is below HK$1,000,000 (equivalent to approximately RMB837,800).

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the both years.

Neither the chief executive officer nor any of the directors waived any emoluments during the year ended 31 December 2015 and 2014.

The performance related incentive payment is determined based on the employee's contribution to the operating result of the Group for the each of the year ended 31 December 2015 and 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

14. EARNINGS PER SHARE

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

	2015	2014
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to owners of the Company	**313,079**	564,938

	2015	2014
	'000	'000
Number of shares		
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 for both years as there is no potential ordinary shares outstanding.

15. DIVIDEND

Dividends for the shareholders of the Company recognised as distribution during the year:

	2015	2014
	RMB'000	RMB'000
Total dividend (including final dividend and special dividend) in respect of the year ended 31 December 2014 of RMB 0.21 (2014: nil) per share	**504,189**	—

Subsequent to the end of the reporting period, no dividend in respect of the year ended 31 December 2015 has been proposed by the directors of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Office equipment	Stripping costs	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2014	6,187,005	6,785,755	117,419	95,594	745,751	940,717	14,872,241
Additions	4,321	23,873	7,127	10,723	680,003	516,789	1,242,836
Additions from acquisition of subsidiaries *(Note 49)*	190,128	84,592	8,559	349	—	86,436	370,064
Disposals	(459)	(1,948)	(7,248)	(137)	—	—	(9,792)
Transfer	98,653	84,588	—	—	—	(183,241)	—
At 31 December 2014	6,479,648	6,976,860	125,857	106,529	1,425,754	1,360,701	16,475,349
Additions	4,771	26,827	6,448	9,090	31,166	436,503	514,805
Disposals	(45)	(1,050)	(6,584)	(360)	—	—	(8,039)
Transfer	380,265	258,354	—	774	—	(639,393)	—
At 31 December 2015	6,864,639	7,260,991	125,721	116,033	1,456,920	1,157,811	16,982,115
DEPRECIATION AND IMPAIRMENT							
At 1 January 2014	796,603	1,999,988	70,584	83,727	77,951	—	3,028,853
Provided for the year	194,636	429,414	36,639	4,412	57,746	—	722,847
Eliminated on disposals	(189)	(1,632)	(6,738)	(71)	—	—	(8,630)
At 31 December 2014	991,050	2,427,770	100,485	88,068	135,697	—	3,743,070
Provided for the year	205,621	431,194	28,569	5,258	82,899	—	753,541
Eliminated on disposals	(21)	(279)	(5,368)	(342)	—	—	(6,010)
At 31 December 2015	1,196,650	2,858,685	123,686	92,984	218,596	—	4,490,601
CARRYING AMOUNTS							
At 31 December 2014	5,488,598	4,549,090	25,372	18,461	1,290,057	1,360,701	12,732,279
At 31 December 2015	5,667,989	4,402,306	2,035	23,049	1,238,324	1,157,811	12,491,514

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

The above items of property, plant and equipment, other than construction in progress and stripping costs, are depreciated over their useful lives, after taking into account the estimated residual value, on a straight-line basis:

Buildings	20–30 years
Plant and machinery	5–15 years
Motor vehicles	5 years
Office equipment	5 years

Stripping costs are depreciated on a straight-line basis over their estimated useful lives ranged from 15 to 20 years. Costs incurred on stripping activity which provide improved access to the whole of the remaining ore body are depreciated over the remaining useful life of the relevant mine. Costs incurred in respect of an identified component of the ore body that is made more accessible by the activity are depreciated over a shorter period than the life of the mine. The management considers that the straight-line basis is more appropriate due to difficulty in determining the pattern of consumption of the future economic benefits reliably as the quantity of outputs to be extracted may be impacted by economical and geographical reasons.

Details of the property, plant and equipment pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 42.

The carrying amounts of buildings, which the application to obtain the ownership certificates is still in process, are approximately RMB847,408,000 as at 31 December 2015 (31 December 2014: RMB855,864,000).

The carrying amount of equipment, which are under finance lease arrangement, is approximately RMB256,230,000 as at 31 December 2015 (31 December 2014: RMB280,587,000).

17. DEPOSITS AND ADVANCES

	2015 **RMB'000**	2014 RMB'000
Deposits paid for acquiring property, plant and equipment, land use rights and mining rights	**469,751**	522,720
Deposits/advances for acquisition of businesses *(Note)*	**1,961,457**	2,141,473
	2,431,208	2,664,193

Note: The acquisitions are expected to be completed in 2016. Included in this balance were advances to the investees of RMB1,463,257,000 as at 31 December 2015 (31 December 2014: RMB1,972,673,000) mainly for purchase of production facilities and mining stone.

During the year, deposits of RMB108,800,000 (2014: Nil) were refunded to the Group due to the termination of the acquisition and advances of RMB509,416,000 (2014: Nil) were repaid by the relevant investees.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

18. PREPAID LEASE PAYMENTS

	Prepaid lease payments
	RMB'000
At 1 January 2014	810,676
Additions	23,771
Additions from acquisition of subsidiaries *(Note 49)*	27,012
Released to profit or loss	(17,905)
At 31 December 2014	843,554
Additions	5,959
Released to profit or loss	(18,803)
At 31 December 2015	830,710

Analysis for reporting purposes as:

	2015	2014
	RMB'000	RMB'000
Current assets included in trade and other receivables *(Note 25)*	**19,116**	19,270
Non-current assets	**811,594**	824,284
	830,710	843,554

The carrying amounts of land use right, which the application to obtain the certificates is still in process, are approximately RMB38,136,000 as at 31 December 2015 (31 December 2014: RMB143,430,000).

Prepaid lease payments are amortised over the lease term of the respective leases.

Details of the land use rights pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 42.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

19. MINING RIGHTS

	Mining rights
	RMB'000
COST	
At 1 January 2014	279,899
Additions	66,718
At 31 December 2014	346,617
Additions	2,579
At 31 December 2015	349,196
ACCUMULATED AMORTISATION	
At 1 January 2014	64,369
Amortisation	14,920
At 31 December 2014	79,289
Amortisation	14,501
At 31 December 2015	93,790
CARRYING AMOUNTS	
At 31 December 2014	267,328
At 31 December 2015	255,406

The useful lives of the mining rights in respect of limestone sites located in the PRC, mainly ranged from 10–33 years.

Details of the mining rights pledged by the Group to secure the bank loans granted to the Group are set out in Note 42.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

20. GOODWILL

For the purposes of impairment testing, goodwill has been allocated to twelve (2014: twelve) cash generating units ("CGUs"), comprising fourteen (2014: fourteen) subsidiaries. The carrying amounts of goodwill as at 31 December 2015 and 2014 allocated to these units are as follows:

	2015	2014
	RMB'000	RMB'000
COST		
At 1 January	**272,311**	161,480
Arising on acquisition of subsidiaries *(Notes 49)*	**—**	110,831
At 31 December	**272,311**	272,311
CARRYING AMOUNTS		
At 31 December	**272,311**	272,311

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

20. GOODWILL (Cont'd)

The carrying amounts of goodwill allocated to CGUs or groups of CGU of the relevant companies, represent the lowest level within the Group at which goodwill is monitored for internal management purpose, as are set out below:

	2015 RMB'000	2014 RMB'000
Weihui Shi Tianrui Cement Company Limited	**10,502**	10,502
Zhengzhou Tianrui Cement Company Limited	**1,773**	1,773
Pingdingshan Tianrui Yaodian Cement Company Limited	**6,689**	6,689
Liaoyang Tianrui Weiqi Cement Company Limited (遼陽天瑞威企水泥有限公司)("Weiqi Cement")	**33,422**	33,422
Liaoyang Tianrui Chengxing Cement Company Limited (遼陽天瑞誠興水泥有限公司)("Chengxing Cement")	**13,628**	13,628
Liaoyang Tianrui Liaota Cement Company Limited (遼陽天瑞遼塔水泥有限公司)("Liaota Cement"); and Liaoyang Tianrui Liaodong Cement Company Limited (遼陽天瑞遼東水泥有限公司)("Liaodong Cement"); and Liaoyang Tianrui Liaota Mining Company Limited (遼陽天瑞遼塔礦業有限公司) ("Dengta Mining") (Collectively referred to as the "Liaota Group")	**29,284**	29,284
Dalian Tianrui Jinhaian Cement Company Limited (大連天瑞金海岸水泥有限公司) ("Jinhaian Cement")	**49,558**	49,558
Xinyang Tianrui Cement Company Limited (信陽天瑞水泥有限公司) ("Xinyang Cement")	**16,624**	16,624
Shenyang Tiger Cement Company Limited (瀋陽老虎水泥有限公司) ("Tiger Cement")	**3,974**	3,974
Zhuanghe Tianrui Cement Company Limited (莊河天瑞水泥有限公司) ("Zhuanghe Cement")	**30,059**	30,059
Haicheng the First Cement Company Limited (海城市第一水泥有限公司) ("Haicheng Cement")	**71,161**	71,161
Haicheng Tianying Construction Stone Mining Company Limited (海城市天鷹建築石材採掘有限公司) ("Tianying Mining")	**5,637**	5,637
	272,311	272,311

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

20. GOODWILL (Cont'd)

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

The recoverable amounts of the relevant CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective subsidiary covering a one-year period with growth rates of 1% to 2% for the following 4 years and discount rates ranged from 9% to 10% as at 31 December 2015 (31 December 2014: 9% to 10%), respectively. This growth rate is based on the industry growth forecasts and does not exceed the average medium-term growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated using zero growth rate. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development.

The Directors consider that there is no impairment of any of its CGUs containing goodwill as at 31 December 2015 and 2014.

21. OTHER INTANGIBLE ASSETS

	Operating lease contracts RMB'000
COST	
At 1 January 2014, 31 December 2014 and 2015	9,353
ACCUMULATED AMORTISATION	
At 1 January 2014	(1,127)
Amortisation	(867)
At 31 December 2014	(1,994)
Amortisation	(752)
At 31 December 2015	(2,746)
CARRYING AMOUNTS	
At 31 December 2014	7,359
At 31 December 2015	6,607

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

22. INTERESTS IN ASSOCIATES

	2015 RMB'000	2014 RMB'000
Cost of investment in associates	**225,000**	120,000
Share of post-acquisition losses	**(119,729)**	(120,000)
	105,271	—

Details of the associate as at the end of reporting period are as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting right 2015 %	2014 %	Principal activities
Pingdingshan Ruiping Shilong Cement Company Limited 平頂山瑞平石龍水泥有限公司	The PRC 12 September 2005	RMB300,000,000	**40**	40	Manufacture and sale of clinker in the PRC
Tianrui Group Finance Company Limited 天瑞集團財務有限公司	The PRC 22 July 2015	RMB300,000,000	**35**	N/A	Financing and relevant service in the PRC

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

22. INTERESTS IN ASSOCIATES (Cont'd)

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

Pingdingshan Ruiping Shilong Cement Company Limited

	2015 RMB'000	2014 RMB'000
Current assets	**142,353**	151,333
Non-current assets	**590,518**	631,339
Current liabilities	**1,174,362**	1,124,041

	2015 RMB'000	2014 RMB'000
Revenue	**189,596**	381,155
Loss and total comprehensive expense for the year	**(100,122)**	(55,577)

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

	2015 RMB'000	2014 RMB'000
Unrecognised share of loss of the associates for the year	**40,049**	22,231
Accumulated unrecognised share of loss of the associates	**176,597**	136,548

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

22. INTERESTS IN ASSOCIATES (Cont'd)

Tianrui Group Finance Company Limited ("Tianrui Finance")

	2015 RMB'000	2014 RMB'000
Current assets	**614,724**	N/A
Current liabilities	**313,949**	N/A

	2015 RMB'000	2014 RMB'000
Revenue	**5,771**	N/A
Profit and total comprehensive income for the year	**775**	N/A

Reconciliation of the above summarised financial information to the carrying amount of the interests in the Tianrui Finance recognised in the consolidated financial statements:

	2015 RMB'000	2014 RMB'000
Net assets	**300,775**	N/A
Proportion of the Group's ownership interest in the associate	**35%**	N/A
Carrying amount of the Group's interest in the associate	**105,271**	N/A

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

23. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials and consumables	**524,020**	988,158
Work-in-progress	**9,850**	11,600
Finished goods	**298,371**	331,270
	832,241	1,331,028

24. DERIVATIVE FINANCIAL ASSETS

	2015 RMB'000	2014 RMB'000
Derivative financial assets		
— Fair value	**678,809**	—

The Group and Tianrui Group, controlled by Mr. Li Liufa, a non-executive director of the Company, entered into the amended deed of non-competition undertaking in favor of the Company ("Amended Non-competition Deed"). The details of the Amended Non-competition Deed are set out in the Company's circular dated 31 October 2014 (the "Circular"). Under the Amended Non-competition Deed, Tianrui Group was allowed to pursue the business which is or may be in competition, directly or indirectly, with the business of the Group (the "New Business Opportunity") subject to certain restrictions and an option in favor of the Company over the business subsequently developed by Tianrui Group. The Group is entitled to exercise the option at any time during the relevant restricted period as defined in the Amended Non-competition Deed (the "Restricted Period").

In addition, Tianrui Group have further undertaken that during the Restricted Period, without the Company's prior written consent, Tianrui Group and/or their respective associate(s) shall not transfer or dispose of any business subsequently developed from the New Business Opportunity (the "New Business") or any interest in the New Business to any third party, or create any mortgage, pledge, lien or any other encumbrance or third party's rights over the New Business or any interest in it.

Under the Amended Non-competition Deed, the Group has the option to acquire the New Business or any interest in it in accordance with (a) commercial terms which (i) will not be less favorable than those applicable to the acquisition of the same New Business Opportunity by Tianrui Group in the first instance, provided that the Company shall reimburse Tianrui Group for the acquisition costs (including tax expenses, financing costs, professional fees and travelling expenses) incurred by them in respect of their acquisition of such New Business Opportunity; and (ii) have been opined by an independent financial adviser of the Company as being normal commercial terms arrived at in the ordinary course of business of the Company, fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (b) any requirement under the listing rules in relation to the acquisition of the New Business and any interest in it.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

24. DERIVATIVE FINANCIAL ASSETS (Cont'd)

Up to 31 December 2015, Tianrui Group acquired certain shares of four companies including Henan Tongli Cement Corporation (河南同力水泥股份有限公司,"Henan Tongli"), a company listed on the Shenzhen Stock Exchange, China Shanshui Cement Group Limited("Shanshui Cement"), a company listed on the Stock Exchange of Hong Kong Limited, which represented about 15.03% equity interests of Henan Tongli, 28.16% equity interests of Shanshui Cement and 55% and 100% equity interests of Tianrui Xindeng Zhengzhou Cement Company Limited (天瑞新登鄭州水泥有限公司) ("Xindeng Cement", formerly known as Guotou Xindeng Zhengzhou Cement Company Limited (國投新登鄭州水泥有限公司) and Henan Yongan Cement Company Limited (河南永安水泥有限責任公司) ("Yongan Cement") respectively. These companies mainly engage in cement related businesses and hence fulfilled the definition of New Business pursuant to the option agreement. Accordingly, the Group has the option to acquire these companies at any time during the Restricted Period. The option falls within the scope of IAS 39 Financial Instruments: Recognition and Measurement as derivative financial instruments. For valuation purpose, the options are fair valued for each investee separately as the Group is able to exercise the option independently. Except for Yongan Cement as disclosed below, the Group has not exercised the option to acquire the interests of the other companies as at 31 December 2015.

On 9 September 2015, the Group and Tianrui Group entered into the acquisition agreement, pursuant to which Tianrui Group conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Shares which represent 100% equity interest of Yong an Cement at the consideration of RMB842,017,000, which is less than the original acquisition costs incurred by Tianrui Group. The acquisition has not been completed as at the date of the consolidated financial statements as it was subject to approval of shareholders of the Company and relevant regulators. The fair value of the option to acquire Yongan Cement at the initial recognition and the changes in fair value up to the date the Group exercised the option is insignificant.

The total fair values of the options to acquire Henan Tongli and Xindeng Cement at initial recognition was estimated to be RMB229,240,000 which was considered as a deemed contribution from Tianrui Group and credited to other reserves on the consolidated statement of changes in equity. The changes in fair value amounting to RMB449,569,000 subsequent to initial recognition was recognised in profit or loss during the year ended 31 December 2015. The details for the fair value measurement of the options are detailed in Note 48.3.

In the opinion of the Directors, the option to acquire Shanshui Cement cannot be reliably measured as the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed. Trading of Shanshui Cement shares was suspended since April 2015 due to the public float fallen below 25% as required under the Listing Rules. Furthermore, the management has limited access to the financial information of Shanshui Cement other than those are made available to the public.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

25. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**416,308**	551,418
Less: allowances for bad and doubtful debts	**(53,726)**	(52,207)
	362,582	499,211
Bills receivables	**612,267**	314,801
Bills endorsed to suppliers *(Note)*	**1,851,199**	1,028,054
Value Added Tax refund receivables	**26,122**	20,403
Prepayment for various taxes	**66,798**	80,044
Prepaid lease payments *(Note 18)*	**19,116**	19,270
Other receivables	**232,032**	144,281
	3,170,116	2,106,064

Bills receivables amounted to RMB602,650,000 as at 31 December 2015 (31 December 2014: RMB107,633,000) were discounted to banks to obtain borrowings of which RMB590,000,000 (31 December 2014: RMB60,000,000) relates to bills receivable issued among subsidiaries of the Group for intra-group transactions. (See Notes 26 and 32)

Note:

In addition to the above, the Group has also endorsed bills receivable arising from intra-group transaction to suppliers amounting to RMB2,865,000,000 (2014:RMB 1,090,000,000) as at the end of the reporting period. The bills receivable and related payables issued between group entities were fully eliminated in the consolidated financial statements.

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

	2015 RMB'000	2014 RMB'000
Within 90 days	**303,614**	621,197
91–180 days	**535,937**	152,453
181–360 days	**5,551**	37,262
Over 1 year	**129,747**	3,100
Total	**974,849**	814,012

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

25. TRADE AND OTHER RECEIVABLES (Cont'd)

Before accepting any new credit customers, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit period attributed to customers are reviewed on a customer by customer basis. Over 90% of trade receivable and bills receivable that are neither past due nor impaired are regarded as customers with good credit quality under the internal assessment process used by the Group.

Included in the Group's trade receivable are debtors with aggregate carrying amount of RMB135,298,000 which are past due as at 31 December 2015 (31 December 2014: RMB40,362,000) for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. No allowance has been provided for those balances as the Group considers that there is no significant change in the credit quality of those customers from the date credit was initially granted up to the end of the reporting period.

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

Past due for:

	2015	2014
	RMB'000	RMB'000
181–360 days	**5,551**	37,262
Over 1 year	**129,747**	3,100
Total	**135,298**	40,362

Movement in the allowance for bad and doubtful debts

	2015	2014
	RMB'000	RMB'000
Balance at beginning of the year	**52,207**	26,163
Provided for the year	**11,865**	26,044
Reversal for the year	**(10,346)**	—
Balance at the end of the year	**53,726**	52,207

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of RMB53,726,000 (31 December 2014: RMB52,207,000) which was considered as uncollectable. The Group does not hold any collateral over these balances.

Details of bills receivables pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 42.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

26. TRANSFER OF FINANCIAL ASSETS

As at 31 December 2015, bills receivables with carrying amount of RMB12,650,000 (31 December 2014: RMB47,633,000) were transferred to banks by discounting those receivables on a full recourse basis and the carrying amount of the associated liability is RMB12,374,000 (31 December 2014: RMB46,500,000). As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 32). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2015, bills receivables with carrying amount of RMB1,851,199,000 (31 December 2014: RMB1,028,054,000) were endorsed to suppliers on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables.

In addition, bills receivable issued among subsidiaries of the Group for intra-group transactions amounting to RMB590,000,000 (31 December 2014: RMB60,000,000) were transferred to banks by discounting those receivables on a full recourse basis to secure bank borrowings amounting to RMB566,838,000 (31 December 2014: RMB58,050,000) (see note 32) and these bills receivable and the related intra-group payables have been eliminated in the consolidated financial statements.

Bills receivable issued among subsidiaries of the Group for intra-group transactions amounting to RMB2,865,000,000 (2014: RMB1,090,000,000) were endorsed to suppliers on a full recourse basis and these bills receivable and the related intra-group payables have been eliminated in the consolidated financial statements.

27. AMOUNT DUE FROM AN ASSOCIATE

	2015 **RMB'000**	2014 RMB'000
Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司) *(note)*	**508,064**	458,635

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

28. PLEDGED BANK BALANCES

As at 31 December 2015, pledged bank balances represent deposits pledged to banks for (i) securing bank borrowings granted to the Group amounting to RMB802,300,000 (details disclosed in Note 42), (ii) issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB3,886,966,000.

As at 31 December 2014, pledged bank balances represent deposits pledged to banks for (i) securing bank borrowings granted to the Group amounting to RMB561,400,000 (details disclosed in Note 42), and (ii) issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB2,407,195,000.

The pledged bank balances carry market interest rate of 0.35% to 2.0% per annum as at 31 December 2015 (31 December 2014: 0.35% to 3.30% per annum).

29. CASH AND BANK BALANCES

The amounts represent cash and bank balances held by the Group. As at 31 December 2015, bank balances carry interest at market rates of 0.01% and 4.25% per annum (31 December 2014: 0.01% and 4.25% per annum).

30. TRADE AND OTHER PAYABLES

	2015 **RMB'000**	2014 RMB'000
Trade payables	**1,127,011**	2,356,074
Bills payables	**1,734,000**	1,306,000
Construction cost and retention payable	**318,153**	341,655
Advances from customers	**219,380**	196,124
Other tax payables	**45,141**	63,093
Other payables — current *(Note 37)*	**4,500**	18,900
Payables for mining rights	**8,300**	8,300
Interest payables	**438,856**	299,615
Other payables and accrued expenses	**217,527**	223,354
	4,112,868	4,813,115

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

30. TRADE AND OTHER PAYABLES (Cont'd)

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:

	2015 RMB'000	2014 RMB'000
Within 90 days	**1,739,412**	2,175,460
91–180 days	**484,200**	1,279,763
181–365 days	**570,565**	153,732
Over 1 year	**66,834**	53,119
Total	**2,861,011**	3,662,074

31. SHORT TERM DEBENTURES

	2015 RMB'000	2014 RMB'000
Short term debentures	**3,792,019**	2,296,446

The amounts as at 31 December 2015 represented the short term debentures which included: (i) the 2015 first tranche of short term debentures of RMB500,000,000 issued on 22 January 2015 through the lead underwriter, Huaxia Bank Company Limited with maturity of one year, (ii) the 2015 second tranche of short term debentures of RMB500,000,000 issued on 27 May 2015 through the lead underwriter, China Ever Bright Bank Company Limited with maturity of one year, (iii) the 2015 third tranche of short term debentures of RMB300,000,000 issued on 8 June 2015 through the lead underwriter, Ping An Bank Company Limited with maturity of one year, (iv) the 2015 fourth tranche of short term debentures of RMB1,000,000,000 issued on 9 June 2015 through the lead underwriter, China Bohai Bank Company Limited with maturity of 270 days, (v) the 2015 fifth tranche of short term debentures of RMB1,000,000,000 issued on 26 June 2015 through the lead underwriter, China Bohai Bank Company Limited with maturity of 270 days and (vi) the 2015 sixth tranche of short term debentures of RMB500,000,000 issued on 25 September 2015 through the lead underwriter, China Bohai Bank Company Limited with maturity of one year. These short term debentures carry interest of fixed rates of 8.00%, 5.20%, 7.75%, 5.99%, 6.00% and 8.00% per annum, respectively.

The amounts as at 31 December 2014 represented the short term debentures which included: (i) the 2014 first tranche of short term debentures of RMB1,000,000,000 issued on 11 June 2014 through the lead underwriter, China Bohai Bank Company Limited with maturity of one year, (ii) the 2014 second tranche of short term debentures of RMB1,000,000,000 issued on 23 June 2014 through the lead underwriter, Huaxia Bank Company Limited with maturity of one year, and (iii) the short term debentures of RMB300,000,000 issued on 30 December 2014 through the lead underwriter, Ping An Bank Company Limited with maturity of 180 days. These short term debentures carry interest of fixed rates of 8.50%, 8.30% and 7.90% per annum, respectively.

The Directors consider that the carrying amounts of the short term debentures and related interest amounting to RMB144,073,000 (31 December 2014: RMB90,934,000) as at 31 December 2015 recognised in the consolidated financial statements approximate to their fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

32. BORROWINGS

	2015 RMB'000	2014 RMB'000
Bank borrowings		
— fixed-rate (i)	**2,050,000**	3,221,000
— variable-rate (ii, iii)	**1,860,211**	1,720,265
	3,910,211	4,941,265
Bank borrowing relating to bills discounted with recourse (iv) *(Note 26)*	**579,212**	104,550
	4,489,423	5,045,815
Secured	**3,179,423**	3,235,815
Unsecured	**1,310,000**	1,810,000
	4,489,423	5,045,815

The borrowings are repayable as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**4,334,423**	4,825,815
More than one year, but not exceeding two years	**125,000**	65,000
More than two years, but not exceeding five years	**30,000**	155,000
	4,489,423	5,045,815
Less: Amount due within one year shown under current liabilities	**(4,334,423)**	(4,825,815)
Amount due after one year	**155,000**	220,000

The Directors consider that the carrying amounts of borrowings and related interest amounting to RMB9,984,000 (31 December 2014: RMB12,599,000) as at 31 December 2015 recognised in the consolidated financial statements approximate to their fair value.

During the year, the Group discounted bills receivable with recourse in aggregated amounts of RMB479,383,000 (2014: RMB490,735,000) to banks for short term financing. As at 31 December 2015, the associated borrowings amount to RMB12,374,000 (2014: RMB46,500,000). The relevant cash flows of these borrowings are presented as operating cash flows in the consolidated statement of cash flows as the management considers the cash flows are, in substance, the receipts from trade customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

32. BORROWINGS (Cont'd)

Note:

i As at 31 December 2015, the fixed-rate borrowings carry interests ranged from 4.35% to 10.40% per annum (31 December 2014 from 5.60% to 12.00% per annum).

ii As at 31 December 2015, the variable-rate borrowings carry interests ranged from 2.86% to 6.89% per annum (31 December 2014: from 2.86% to 7.2% per annum).

iii As at 31 December 2015, the interest rate of US Dollar variable-rate loans, amounting to RMB704,211,000 (31 December 2014: RMB671,266,000) is determined based on London Interbank Offered Rate ("LIBOR") plus from 2.60% to 3.35% per annum (2014: LIBOR plus from 2.60% to 2.75% per annum), and interest rate of remaining RMB variable-rate loans is determined based on the Benchmark Interest Rate announced by the People's Bank of China.

iv As at 31 December 2015, the amounts represented the cash received on bills receivables discounted to various banks with full recourse of which RMB566,838,000 (31 December 2014: RMB58,050,000) relates to discounted bills issued among subsidiaries of the Group for intra-group transactions. The discounted bills carried fixed interests ranging from 2.99% to 7.30% per annum (31 December 2014: from 4.16% to 10.99% per annum).

Details of assets pledged to secure bank borrowings are set out in Note 42.

33. OBLIGATIONS UNDER FINANCE LEASES

	At 31 December 2015 RMB'000	At 31 December 2014 RMB'000
Analyzed for reporting purposes as:		
Current liabilities	**55,358**	51,652
Non-current liabilities	**28,887**	84,328
	84,245	135,980

The Group has entered into sale and leaseback transactions which give rise to finance leases. The lease assets, including plant and equipment, were continued to be recognised as property, plant and equipment of the Group. The average lease term is 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 5.52% to 6.72% per annum (31 December 2014: from 6.72% to 7.25% per annum).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

33. OBLIGATIONS UNDER FINANCE LEASES (Cont'd)

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases				
Within one year	**59,130**	60,061	**55,358**	51,652
In more than one year but not more than two years	**29,640**	60,061	**28,887**	55,221
In more than two years but not more than five years	**—**	30,030	**—**	29,107
	88,770	150,152	**84,245**	135,980
Less: future finance charges	**(4,525)**	(14,172)	**N/A**	N/A
Present value of lease obligations	**84,245**	135,980	**84,245**	135,980
Less: Amount due for settlement with 12 months (shown under current liabilities)			**(55,358)**	(51,652)
Amount due for settlement after 12 months			**28,887**	84,328

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

34. FINANCIAL GUARANTEE CONTRACTS

	2015	2014
	RMB'000	RMB'000
Financial guarantee contracts	**10,637**	9,320

As at 31 December 2015, outstanding financial guarantees in respect of bank facilities provided by the Group to Tianrui Group Yunyang Foundry Company Limited (天瑞集團雲陽鑄造有限公司) ("Tianrui Foundry"), Ruzhou Tianrui Coking Company Limited (汝州天瑞煤焦化有限公司) ("Tianrui Coking"), Tianrui Group Travel Development Company Limited (天瑞集團旅遊發展有限公司) ("Tianrui Travel"), three subsidiaries of Tianrui Group, and Tianrui Group, amounted to RMB250,000,000 (31 December 2014: RMB250,000,000), RMB522,000,000 (31 December 2014: RMB522,000,000), RMB660,000,000 (31 December 2014: RMB660,000,000) and RMB40,000,000 (31 December 2014: Nil) respectively, of which facilities amounting to Nil (31 December 2014: RMB195,000,000), RMB337,000,000 (31 December 2014: RMB432,000,000), RMB270,650,000 (31 December 2014: RMB93,650,000) and RMB40,000,000 (31 December 2014: Nil) were utilised and drawdown respectively. These financial guarantee were provided for a period of 5 years, 7 years, 10 years and 1 year respectively.

The total fair value of financial guarantee contracts at initial recognition of RMB3,807,000 (2014: RMB2,787,000) were calculated using the guarantee fee rate estimated by reference to the probability of default of the recipients and considered as deemed distribution to Tianrui Group and debited to other reserves on the consolidated statement of changes in equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

35. MID-TERM DEBENTURES

	Mid-term debentures RMB'000
At 1 January 2014	1,800,000
Additions	692,595
At 31 December 2014	2,492,595
Additions	2,136,176
Repayments	(944,600)
At 31 December 2015	3,684,171

	2015 RMB'000	2014 RMB'000
Mid-term debentures	**3,684,171**	2,492,595
Less: Amount due within one year	**(1,300,000)**	(700,000)
Amount due after one year	**2,384,171**	1,792,595

The amounts as at 31 December 2015 represented the mid-term debentures which included: (i) the issuance of mid-term debentures of RMB800,000,000 which included RMB400,000,000 on 2 April 2013 and RMB400,000,000 on 9 August 2013 with maturity of three years, carrying fixed interest rate at 7.31% and 7.31% per annum respectively, (ii) the issuance of small and medium-sized enterprise private debentures RMB250,000,000 on 25 April 2014 with maturity of three years, carrying fixed interest rate at 9.00% per annum, (iii) the issuance of mid-term debentures of RMB500,000,000 on 24 September 2014 with maturity of two years, carrying fixed interest rate at 8.60% per annum, (iv) the issuance of the enterprise private debentures of RMB500,000,000 on 9 January 2015 with maturity of three years, carrying fixed interest rate at 8.50% per annum, (v) the issuance of the enterprise private debentures of RMB500,000,000 on 27 August 2015 with maturity of two years, carrying fixed interest rate at 7.90% per annum, (vi) the issuance of enterprise private debentures of RMB150,000,000 on 24 September 2015 with maturity of two years, carrying fixed interest rate at 8.00% per annum, (vii) the issuance of mid-term debenture of RMB550,000,000 on 14 September 2015 and RMB450,000,000 on 23 October 2015 with maturity of two years, both carrying fixed interest rate at 8.00% per annum.

The Directors consider that the carrying amounts of the mid-term debentures and related interest amounting to RMB139,860,000 (31 December 2014: RMB68,973,000) as at 31 December 2015 recognised in the consolidated financial statements approximate to their fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

36. LONG-TERM CORPORATE BONDS

	2015 RMB'000	2014 RMB'000
Long-term corporate bonds	**3,057,635**	2,029,079

The amounts as at 31 December 2015 represented: (i) 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 7.21% per annum, with an option to further extend for three years subject to the approval of the bondholders and negotiation of terms and conditions between the Group and 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 Foundry and Tianrui Travel. The guarantees have been provided at no cost to the Group, (ii) the issuance of long-term corporate bonds in an aggregate principal amount RMB1,000,000,000 on 29 September 2015 through the lead underwriter, Ping An Securities Company Limited(平安證券有限責任公司), with a term of three years and a rate of 5.95 % per annum, with an option to further extend for two years subject to the approval of the bondholders and negotiation of terms and conditions between the Group and the bondholders and (iii) the issuance of long-term corporate bonds in an aggregate principal amount HK$79,000,000, amounting to RMB66,184,620 which including the issuance of first tranche corporate bonds of HK$45,540,000 on 2 December 2014 and the second tranche corporate bonds of HK$33,460,000 on 15 July 2015, with a term of eight years and a rate of 6.50% per annum. This long-term corporate bonds were issued through the lead underwriter, Convoy Investment Service Limited (康宏證券投資服務有限公司), to non-specific buyers.

The Directors consider that the carrying amounts of the long-term corporate bonds and related interest amounting to RMB144,939,000 (31 December 2014: 127,109,000) as at 31 December 2015 recognised in the consolidated financial statements approximate to their fair value.

37. OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Acquisition of mining rights	**12,900**	27,300
Less: Amount due within one year shown under trade and other payables *(Note 30)*	**(4,500)**	(18,900)
	8,400	8,400

The amounts represented the payables for acquisition of mining rights.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

37. OTHER PAYABLES (Cont'd)

Pursuant to the purchase agreement entered into between Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司) and Dalian Municipal Bureau of Land and Resources and Housing (大連市國土資源和房屋局) in 2007, Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司) acquired mining rights at a consideration of approximately RMB52,068,000 which is repayable by 6 installments between 2007 to 2017 every 2 years. The amount bears interest at progressive rates ranged from 5.87% to 7.83% per annum.

Pursuant to the purchase agreement entered into between Weihui Shi Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司) and Weihui Municipal Bureau of Geological and Mineral Resources (衛輝市地質礦產局) in 2007, Weihui Shi Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司) acquired mining rights at a consideration of RMB35,000,000 which is repayable by 8 installments between 2007 to 2015 annually. The amount is interest free. The fair value of the outstanding amount at initial recognition is estimated at an effective interest rate of 6.89% per annum.

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

38. DEFERRED TAXATION

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

	Allowance on trade and other receivables and write-down of inventories	Property, plant, equipment and prepaid lease payments	Imputed interest on other payables	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (note)	RMB'000
At 1 January 2014	7,657	(49,420)	(246)	25,580	22,949	6,520
Credit (charge) to profit or loss for the year	6,137	3,092	246	2,485	(2,140)	9,820
Acquisition of subsidiaries *(note 49)*	—	(15,840)	—	—	—	(15,840)
At 31 December 2014	13,794	(62,168)	—	28,065	20,809	500
Credit (charge) to profit or loss for the year	316	2,983	—	62,481	(6,410)	59,370
At 31 December 2015	14,110	(59,185)	—	90,546	14,399	59,870

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

38. DEFERRED TAXATION (Cont'd)

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

	2015 RMB'000	2014 RMB'000
Deferred tax assets	**115,924**	58,497
Deferred tax liabilities	**(56,054)**	(57,997)
	59,870	500

At 31 December 2015, the Group has unused tax losses of approximately RMB830,601,000 (31 December 2014: RMB419,817,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB362,184,000 (31 December 2014: RMB112,260,000) of such losses.

No deferred tax assets has been recognised in respect of the remaining RMB468,417,000 (31 December 2014: RMB307,557,000) due to the unpredictability of future profit streams in respective subsidiaries. The unrecognised tax loss will be expired as follows:

	2015 RMB'000	2014 RMB'000
2016	**6,933**	6,933
2017	**70,749**	70,749
2018	**173,183**	173,183
2019	**56,692**	56,692
2020	**160,860**	—
	468,417	307,557

In addition, the Group has deductible temporary differences of RMB2,932,000 (31 December 2014: nil) as at 31 December 2015. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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 RMB4,900,484,000 as at 31 December 2015 (31 December 2014: RMB4,639,525,000) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

39. DEFERRED INCOME

	2015 RMB'000	2014 RMB'000
Assets-related government grants	**177,483**	180,854

The assets-related government grants represent the subsidies received by the Group for the purpose of acquiring land use rights to build new production lines in the PRC and acquiring qualified energy conservation equipment. An amount of approximately RMB8,171,000 was released to "other income and other gains and losses" during the year ended 31 December 2015 (2014: RMB8,074,000).

40. PROVISION FOR ENVIRONMENTAL RESTORATION

	Environmental restoration RMB'000
At 1 January 2014	14,630
Provision for the year	3,469
At 31 December 2014	18,099
Provision for the year	2,075
At 31 December 2015	20,174

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

41. SHARE CAPITAL

The Company

	Number of shares	Share capital	
		HK$'000	RMB'000
Ordinary share of HK$0.01 each:			
As at 1 January 2014, 31 December 2014 and 2015	10,000,000,000	100,000	81,070
Issued			
As at 1 January 2014, 31 December 2014 and 2015	2,400,900,000	24,009	19,505

42. PLEDGE OF ASSETS

As at the end of the reporting period, the carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group is analysed as follows:

	2015	2014
	RMB'000	RMB'000
Property, plant and equipment	**1,111,326**	1,870,412
Prepaid lease payments	**114,567**	192,420
Mining rights	—	21,034
Pledged bank balances	**802,300**	561,400
	2,028,193	2,645,266

Apart from the assets pledged set out above, Tianrui Cement has pledged all of its equity interests in Tianrui Group Guangshan Cement Company Limited (天瑞集團光山水泥有限公司), Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司) and Tianrui Group Xiaoxian Cement Company Limited (天瑞集團蕭縣水泥有限公司) to secure the short-term US Dollar variable-rate loans amounting to RMB402,603,200 (31 December 2014: RMB379,378,000), and pledged all of its equity interests in Haicheng The First Cement Company limited (海城市第一水泥有限公司) to secure the long-term variable-rate loans amounting to RMB60,000,000 (31 December 2014: RMB60,000,000) as at 31 December 2015.

In addition, bills receivables (including those issued among subsidiaries of the Group for intra-group transactions) amounted to RMB602,650,000 as at 31 December 2015 (31 December 2014: RMB107,633,000) were discounted to banks to obtain borrowings. Bills receivables (including those issued among subsidiaries of the Group for intra-group transactions) with carrying amount of RMB4,716,199,000 as at 31 December 2015 (31 December 2014: RMB2,118,054,000) were endorsed to suppliers on a full recourse basis. Details are set out in Notes 26 and 32.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

43. CAPITAL COMMITMENTS

	2015 RMB'000	2014 RMB'000
Capital expenditure of the Group in respect of acquisition property, plant and equipment — contracted for but not provided in the consolidated financial statements	**458,297**	468,285

44. OPERATING LEASE COMMITMENTS

The Group as lessee

The rental payment paid for the year ended 31 December 2015 amounted to approximately RMB19,561,000 (2014: RMB17,601,000) are paid for certain of its land and office properties.

As at 31 December 2015, the Group had commitments for future minimum lease payments in respect of rented land and office properties which fall due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**17,015**	17,601
In the second to fifth year inclusive	**13,215**	30,711
Over fifth year inclusive	**6,094**	6,858
	36,324	55,170

Operating lease payments represent rentals payable by the Group for certain of its land and office properties. Leases are negotiated for an average terms of between 1 to 17 years and rental are fixed throughout the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

44. OPERATING LEASE COMMITMENTS (Cont'd)

The Group as lessor

The rental income earned for the year ended 31 December 2015 amounted to approximately RMB377,000 (2014: RMB2,058,000) are generated from rental of certain plant and machinery.

As at 31 December 2015, the Group had contracted with tenants for the following future minimum lease payments:

	2015	2014
	RMB'000	RMB'000
Within one year	**785**	1,800

45. RETIREMENT BENEFIT SCHEMES

The PRC employees of the Group are members of state-managed retirement benefit schemes operated by the local governments. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit schemes to fund the benefits. The retirement benefit cost charged to profit or loss for the year ended 31 December 2015, amounts to RMB30,124,000 (2014: RMB29,210,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

46. RELATED PARTY DISCLOSURES

(a) Apart from the amounts due from an associate as disclosed in Note 27, and guarantees provided by the Group to related parties and guarantees provided by the related parties to the Group as disclosed in Notes 34 and 36, options granted by Tianrui Group as disclosed in Note 24, during the year, the Group had the following significant transactions with the related parties.

Nature of transaction	Name of related company	Notes	2015 RMB'000	2014 RMB'000
Purchase of goods	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	**114,027**	142,567
Office rental expenses	Tianrui Group Company Limited (天瑞集團有限公司)	ii	**1,800**	1,800
Sales of goods	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	**8,857**	16,082

The Group provided financial guarantee to banks in respect of bank facilities of Tianrui Foundry, Tianrui Coking, Tianrui Travel and Tianrui Group for a period of 5 years, 7 years, 10 years and 1 year respectively. As at 31 December 2015, the bank facilities utilised by Tianrui Foundry, Tianrui Coking, Tianrui Travel and Tianrui Group amounted to Nil (31 December 2014: RMB195,000,000), RMB337,000,000 (31 December 2014: RMB432,000,000), RMB270,650,000 (31 December 2014: RMB93,650,000) and RMB40,000,000 (31 December 2014: Nil) respectively (see note 34). Tianrui Foundry, Tianrui Coking and Tianrui Travel are subsidiaries of Tianrui Group.

Notes:

i. An associate of the Group;

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

46. RELATED PARTY DISCLOSURES (Cont'd)

(b) Remuneration to key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly including directors of the Group. The key management personnel compensations are as follows:

	2015	2014
	RMB'000	RMB'000
Short-term benefits	**6,092**	6,802
Retirement benefits	**70**	109
	6,162	6,911

47. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the short term debentures, borrowings, mid-term debentures, long- term corporate bonds (details refer to Notes 31, 32, 35 and 36), and equity attributable to owners of the Company, comprising share capital and reserves and retained earnings.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

48. FINANCIAL INSTRUMENTS

48.1 Categories of financial instruments

	2015	2014
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including pledged bank balances and cash and bank balances)	**8,413,907**	5,888,388
Derivative financial assets	**678,809**	—
Financial liabilities		
Amortised cost	**18,879,995**	16,426,233
Financial guarantee contract	**10,637**	9,320

48.2 Financial risk management objectives and policies

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

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to short term debentures, fixed-rate borrowings, obligations under finance leases, mid-term debentures, long-term corporate bonds and payables for mining rights (see Notes 31, 32, 33, 35, 36 and 37 for details).

Besides, the Group is also exposed to cash flow interest rate risk in relation to pledged bank balances, bank balances and variable-rate borrowings. (see Notes 28, 29 and 32 for details).

The Group closely monitors the interest rate trend and aims to lower the effective interest rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Benchmark Interest Rate announced by the People's Bank of China and LIBOR.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

48. FINANCIAL INSTRUMENTS (Cont'd)

48.2 Financial risk management objectives and policies (Cont'd)

Interest rate risk (Cont'd)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. No sensitivity analysis has been presented for bank balances as the Directors consider that the fluctuation in interest rates on bank balances is minimal. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis points increase or decrease in LIBOR and Benchmark Interest Rate, as appropriate, represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would be decreased/increased by approximately RMB3,191,000 (2014: decreased/increased RMB2,997,000) and the amount of borrowing costs capitalised in respect of the Group's qualifying assets would be increased/decreased by approximately RMB396,000 for the year ended 31 December 2015 (2014: RMB305,000).

Currency risk

The Group has certain pledged bank balances and other receivables denominated in Hong Kong Dollar ("HK Dollar") and borrowings denominated in United States Dollar ("US Dollar"), hence exposures to exchange rate fluctuation arises. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, management monitors the HK Dollar and US Dollar exposure closely and will consider hedging significant currency exposure should the need arise.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the end of the year are as follows:

	2015 **RMB'000**	2014 RMB'000
Assets		
HK Dollar	**10,437**	29,818
US Dollar	**154**	95,510
	10,591	125,328
Liabilities		
HK Dollar	**66,185**	35,925
US Dollar	**704,211**	671,266
	770,396	707,191

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

48. FINANCIAL INSTRUMENTS (Cont'd)

48.2 Financial risk management objectives and policies (Cont'd)

Currency risk (Cont'd)

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB against HK Dollar and US Dollar.

The following table details the Group's sensitivity to a 6% (2014: 5%) increase or decrease in RMB against HK Dollar and US Dollar. The percentage represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes outstanding foreign currency denominated monetary items, and adjust its translation at the end of the reporting period for 6% (2014: 5%) change in foreign currency rate. A positive number below indicates an increase in post-tax profit where RMB strengthens 6% (2014: 5%) against HK Dollar and US Dollar. For a 6% (2014: 5%) weakening of RMB against HK Dollar and US Dollar, there would be an equal and opposite impact on the profit and the balances below would be negative.

	2015 **RMB'000**	2014 RMB'000
Post-tax profit for the year	**39,550**	25,422

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 50.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

48. FINANCIAL INSTRUMENTS (Cont'd)

48.2 Financial risk management objectives and policies (Cont'd)

Credit risk (Cont'd)

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

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

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings. When there is non-compliance with loan covenants, the management would liaise with lenders and follow up actions were taken promptly as appropriate to ensure sufficient liquidity is available if the lender demanded immediate repayment.

The Group has net current liabilities as at 31 December 2015, which exposed the Group to liquidity risk. In order to mitigate the liquidity risk, the Directors regularly monitors the operating cash flows of the Group to meet its liquidity requirement in the short and long term. The Group has unused banking facilities of RMB1,595,000,000 in aggregate available which have been obtained before 31 December 2015. The Directors are of the view that the Group is able to identify investors and issue the debenture of RMB4,650,000,000 in the year 2016 (Note 2).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

48. FINANCIAL INSTRUMENTS (Cont'd)

48.2 Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

The tables include both interest and principal cash flows. To the extent that interest flows are variable-rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average interest rate	On demand or 0–30 days	31 to 180 days	181 to 365 days	1–2 years	2–3 years	Over 3 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2015									
Trade and other payables	**—**	**1,427,781**	**1,066,653**	**1,349,413**	**—**	**—**	**—**	**3,843,847**	**3,843,847**
Borrowings									
— fixed-rate	**5.16**	**170,000**	**1,427,386**	**1,090,625**	**—**	**—**	**—**	**2,688,011**	**2,629,212**
— variable-rate	**4.87**	**200,000**	**139,174**	**1,417,651**	**134,239**	**16,893**	**17,715**	**1,925,672**	**1,860,211**
Other payables — fixed rate	**7.3**	**—**	**4,500**	**—**	**9,336**	**—**	**—**	**13,836**	**12,900**
Short term debentures	**6.56**	**503,333**	**2,845,504**	**530,000**	**—**	**—**	**—**	**3,878,837**	**3,792,019**
Mid-term debentures	**8.06**	**—**	**432,247**	**1,083,543**	**2,048,333**	**542,500**	**—**	**4,106,623**	**3,684,171**
Long-term corporate bonds	**6.78**	**12,017**	**—**	**44,625**	**203,700**	**2,203,700**	**1,215,299**	**3,679,341**	**3,057,635**
Obligations under finance leases	**5.51**	**29,465**	**—**	**29,665**	**29,640**	**—**	**—**	**88,770**	**84,245**
		2,342,596	**5,915,464**	**5,545,522**	**2,425,248**	**2,763,093**	**1,233,014**	**20,224,937**	**18,964,240**
Financial guarantee liabilities		**1,522,000**	**—**	**—**	**—**	**—**	**—**	**1,522,000**	**10,637**
As at 31 December 2014									
Trade and other payables	—	835,460	3,076,503	623,035	—	—	—	4,534,998	4,534,998
Borrowings									
— fixed-rate	6.90	253,000	1,118,518	2,085,624	—	—	—	3,457,142	3,325,550
— variable-rate	5.24	200,000	268,474	1,075,981	70,179	147,692	35,876	1,798,202	1,720,265
Other payables — fixed rate	7.3	10,050	8,400	—	—	10,018	—	28,468	27,300
Short term debentures	8.33	—	2,395,850	—	—	—	—	2,395,850	2,296,446
Mid-term debentures	7.45	—	222,112	537,250	1,529,024	610,111	—	2,898,497	2,492,595
Long-term corporate bonds	7.08	—	—	—	—	—	3,112,491	3,112,491	2,029,079
Obligations under finance leases	6.72	30,030	—	30,031	60,061	30,030	—	150,152	135,980
		1,328,540	7,089,857	4,351,921	1,659,264	797,851	3,148,367	18,375,800	16,562,213
Financial guarantee liabilities		1,482,000	—	—	—	—	—	1,482,000	9,320

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

48. FINANCIAL INSTRUMENTS (Cont'd)

48.3 Fair value measurements

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's derivatives are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of derivatives are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at (RMB'000)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2015	31 December 2014				
The option granted by the shareholder to acquire Henan Tongli classified as derivative financial assets *(see Note 24)*	**Assets 467,505**	—	Level 3	The binomial option pricing model. The key inputs are stock price volatility rate, spot price, exercise price, risk free rate, dividend yield, exit rate, exercise multiples, time to maturity and vesting date.	Stock price volatility rate	note i
The option of granted by the shareholder to acquire Xindeng Cement classified as derivative financial assets *(see Note 24)*	**Assets 211,304**	—	Level 3	The binomial option pricing model. The key inputs are stock price volatility rate, spot price, exercise price, risk free rate, dividend yield, exit rate, exercise multiples, time to maturity and vesting date.	Stock price and stock price volatility rate	note ii

Note:

i A slight increase in the stock price volatility rate used in isolation would result in an increase in the fair value. A 5% increase in the stock price volatility rate, holding all other variables constant, would increase the carrying amount of the option by RMB13,046,000. A 5% decrease in the stock price volatility rate, holding all other variables constant, would decrease the carrying amount of the option by RMB12,945,000.

ii A slight increase in the stock price and stock price volatility rate used in isolation would result in an increase in the fair value. A 5% increase in the stock price and stock price volatility rate, holding all other variables constant, would increase the carrying amount of the option by RMB21,841,000 and RMB7,189,000 respectively. A 5% decrease in the stock price and stock price volatility rate, holding all other variables constant, would decrease the carrying amount of the option by RMB21,100,000 and RMB6,795,000 respectively.

There is no transfer between level 2 and level 3 during the current and prior years.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of assets are disclosed above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

48. FINANCIAL INSTRUMENTS (Cont'd)

48.3 Fair value measurements (Cont'd)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Cont'd)

Reconciliation of Level 3 fair value measurements

As detailed in Note 24, the options granted by Tianrui Group are classified as financial assets at FVTPL. The options were measured at fair value on Level 3 fair value measurement.

The following are reconciliation of the options:

	2015	2014
	RMB'000	RMB'000
Initial recognition	**229,240**	—
Total gains in profit or loss	**449,569**	—
Closing balance	**678,809**	—

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Except as disclosed in Notes 31, 32, 35 and 36, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

49. ACQUISITION OF SUBSIDIARIES IN YEAR 2014

(a) On 22 January 2014, the Group acquired 60% of the equity interest of Tiger Cement from an independent third party for a consideration of RMB7,200,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB3,974,000. Tiger Cement is engaged in the manufacture and sale of cement.

(b) On 19 May 2014, the Group acquired 100% of the equity interest Haicheng Cement from two independent third parties for a consideration of RMB371,500,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB71,161,000. Haicheng Cement is engaged in the manufacture and sale of cement and clinker.

(c) On 19 May 2014, the Group acquired 100% of the equity interest of Tianying Mining from two independent third parties for a consideration of RMB6,000,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB5,637,000. Tianying Mining is engaged in the manufacture and sale of minestone material.

(d) On 18 August 2014, the Group acquired 100% of the equity interest of Zhuanghe Cement from two independent third parties for a consideration of RMB57,000,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB30,059,000. Zhuanghe Cement is engaged in the manufacture and sale of cement.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

49. ACQUISITION OF SUBSIDIARIES IN YEAR 2014 (Cont'd)

	Tiger Cement	Haicheng Cement	Tianying Mining	Zhuanghe Cement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consideration transferred:					
Total consideration satisfied by					
Cash consideration paid	—	—	6,000	44,000	50,000
Deposit paid in year 2013	7,200	347,500	—	—	354,700
Payables due within 1 year	—	24,000	—	13,000	37,000
	7,200	371,500	6,000	57,000	441,700
Assets acquired and liabilities recognised at the date of acquisition are as follows:					
Net assets acquired:					
Property, plant and equipment	22,662	310,263	210	36,929	370,064
Prepaid lease payments	—	23,687	—	3,325	27,012
Inventories	—	24,849	300	4,080	29,229
Trade and other receivables	2,343	7,162	2,501	181	12,187
Cash and bank balances	2,109	1,320	62	6,338	9,829
Trade and other payables	(21,738)	(50,293)	(2,710)	(8,721)	(83,462)
Borrowings	—	(5,000)	—	(11,000)	(16,000)
Deferred tax liabilities	—	(11,649)	—	(4,191)	(15,840)
	5,376	300,339	363	26,941	333,019
Goodwill arising on acquisition:					
Consideration transferred	7,200	371,500	6,000	57,000	441,700
Plus: non-controlling interests	2,150	—	—	—	2,150
Less: net assets acquired	(5,376)	(300,339)	(363)	(26,941)	(333,019)
Goodwill	3,974	71,161	5,637	30,059	110,831
Net cash outflow on acquisition:					
Net cash outflow arising on acquisition					
Cash consideration paid	—	—	(6,000)	(44,000)	(50,000)
Cash and cash equivalents acquired	2,109	1,320	62	6,338	9,829
	2,109	1,320	(5,938)	(37,662)	(40,171)

The fair value of trade and other receivables at the date of acquisition amounted to RMB12,187,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB12,187,000 at the date of acquisition.

Included in the profit for the year is a loss of RMB8 million attributable to the additional business generated by these acquired entities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

49. ACQUISITION OF SUBSIDIARIES IN YEAR 2014 (Cont'd)

Revenue for the year includes RMB143 million generated from these acquired entities. Had the acquisition been completed on 1 January 2014, total group revenue for the year would have been RMB9,022 million, and profit for the year would have been RMB532 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had these entities acquired at the beginning of the year 2014, the Directors have calculated depreciation of property, plant and equipment acquired and amortisation of prepaid lease payments on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

50. CONTINGENT LIABILITIES

	2015 **RMB'000**	2014 RMB'000
Guarantees given to banks in respect of banking facilities granted to:		
Related parties *(Note 34)*	**1,472,000**	1,432,000
Third party	**50,000**	50,000
	1,522,000	1,482,000

The management considers the risk of the contingent liabilities and recognised financial guarantee liabilities of RMB10,637,000 (2014: RMB9,320,000) in the consolidated financial statement.

51. MAJOR NON-CASH TRANSACTIONS

(a) The Group was granted the option to acquire New Business from Tianrui Group as detailed in Note 24. The total fair values of the options to acquire Henan Tongli and Xindeng Cement at initial recognition was estimated to be RMB229,240,000 (2014: Nil) which was considered as a deemed contribution from Tianrui Group and credited to other reserves on the consolidated statement of changes in equity during the year.

(b) The Group provided finance guarantee to banks in respect of bank facilities of certain subsidiaries of Tianrui Group as detailed in Note 34. The total fair values of financial guarantee contracts at initial recognition of RMB3,807,000 (2014: 2,787,000) were considered as deemed distribution to Tianrui Group and debited to other reserves on the consolidated statement of changes in equity during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) The Company has the following subsidiaries:

Name of company	Place and date of incorporation/establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power 2015 %	2014 %	Principal activities
Subsidiaries					
Zhong Yuan Cement Company Limited 中原水泥有限公司	British Virgin Islands 7 April 2010	US$1	**100**	100	Investment holding
China Tianrui (Hong Kong) Company Limited 中國天瑞(香港)有限公司	Hong Kong 16 April 2010	US$1	**100**	100	Investment holding
Tianrui Group Cement Company Limited 天瑞集團水泥有限公司	The PRC 28 September 2000	US$594,052,471	**100**	100	Manufacture and sale of cement and clinker
Lushan Xian Antai Cement Company Limited 魯山縣安泰水泥有限公司*	The PRC 16 September 1998	RMB21,357,000	**100**	100	Manufacture and sale of cement
Tianrui Group Ruzhou Cement Company Limited 天瑞集團汝州水泥有限公司*	The PRC 3 December 2002	RMB180,000,000	**100**	100	Manufacture and sale of cement and clinker
Weihui Shi Tianrui Cement Company Limited 衛輝市天瑞水泥有限公司*	The PRC 30 June 2003	RMB240,000,000	**100**	100	Manufacture and sale of cement and clinker
Tianrui Group Zhoukou Cement Company Limited 天瑞集團周口水泥有限公司*	The PRC 10 September 2003	RMB81,000,000	**100**	100	Manufacture and sale of cement
Shangqiu Tianrui Cement Company Limited 商丘天瑞水泥有限公司*	The PRC 9 June 2004	RMB63,000,000	**100**	100	Manufacture and sale of cement
Zhengzhou Tianrui Cement Company Limited 鄭州天瑞水泥有限公司*	The PRC 17 June 2004	RMB55,000,000	**100**	100	Manufacture and sale of cement
Tianrui Group Yuzhou Cement Company Limited 天瑞集團禹州水泥有限公司*	The PRC 4 August 2004	RMB250,000,000	**100**	100	Manufacture and sale of cement and clinker
Dalian Tianrui Cement Company Limited 大連天瑞水泥有限公司*	The PRC 8 December 2004	RMB350,000,000	**100**	100	Manufacture and sale of cement and clinker
Yingkou Tianrui Cement Company Limited 營口天瑞水泥有限公司*	The PRC 4 July 2006	RMB111,300,000	**100**	100	Manufacture and sale of cement
Tianrui Group Nanzhao Cement Company Limited 天瑞集團南召水泥有限公司*	The PRC 23 January 2007	RMB200,000,000	**100**	100	Manufacture and sale of cement and clinker
Yuzhou Shi Zhongjin Mining Company Limited 禹州市中錦礦業有限公司*	The PRC 23 April 2007	RMB1,000,000	**100**	100	Inactive
Liaoyang Tianrui Cement Company Limited 遼陽天瑞水泥有限公司*	The PRC 25 April 2007	RMB213,680,000	**100**	100	Manufacture and sale of cement and clinker
Tianrui Group Xuchang Cement Company Limited 天瑞集團許昌水泥有限公司*	The PRC 16 August 2007	RMB80,000,000	**100**	100	Manufacture and sale of cement
Tianrui Group Guangshan Cement Company Limited 天瑞集團光山水泥有限公司*	The PRC 14 December 2007	RMB280,000,000	**100**	100	Manufacture and sale of cement and clinker
Tianrui Group Zhengzhou Cement Company Limited 天瑞集團鄭州水泥有限公司*	The PRC 23 April 2008	RMB520,000,000	**100**	100	Manufacture and sale of cement and clinker

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

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

Name of company	Place and date of incorporation/establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power 2015 %	2014 %	Principal activities
Subsidiaries (cont'd)					
Tianrui Group Ningling Cement Company Limited 天瑞集團寧陵水泥有限公司*	The PRC 9 July 2009	RMB20,000,000	**100**	100	Manufacture and sale of cement
Tianjin Tianrui Cement Company Limited 天津天瑞水泥有限公司*	The PRC 5 November 2009	RMB100,000,000	**60**	60	Manufacture and sale of cement
Pingdingshan Tianrui Yaodian Cement Company Limited 平頂山天瑞姚電水泥有限公司*	The PRC 17 June 2009	RMB20,000,000	**91**	91	Manufacture and sale of cement
Liaoyang Tianrui Weiqi Cement Company Limited 遼陽天瑞威企水泥有限公司*	The PRC 22 June 2006	RMB39,000,000	**100**	100	Manufacture and sale of cement
Liaoyang Tianrui Chengxing Cement Company Limited 遼陽天瑞誠興水泥有限公司*	The PRC 18 May 2006	RMB20,000,000	**70**	70	Manufacture and sale of cement
Liaoyang Tianrui Liata Cement Company Limited 遼陽天瑞遼塔水泥有限公司*	The PRC 24 July 2007	RMB205,000,000	**100**	100	Manufacture and sale of cement and clinker
Liaoyang Tianrui Liaodong Cement Company Limited 遼陽天瑞遼東水泥有限公司*	The PRC 28 February 2003	RMB10,000,000	**100**	100	Manufacture and sale of cement
Liaoyang Tianrui Liaota Mining Company Limited 遼陽天瑞遼塔礦業有限公司*	The PRC 22 February 2000	RMB500,000	**100**	100	Manufacture and sale of cement
Dalian Tianrui Jinhaian Cement Company Limited 大連天瑞金海岸水泥有限公司*	The PRC 19 December 2002	RMB45,000,000	**100**	100	Manufacture and sale of cement
Xinyang Tianrui Cement Company Limited 信陽天瑞水泥有限公司*	The PRC 27 December 2000	RMB18,000,000	**70**	70	Manufacture and sale of cement
Haicheng The First Cement Company Limited 海城市第一水泥有限公司*	The PRC 1 April 1999	RMB100,000,000	**100**	100	Manufacture and sale of cement and clinker
Haicheng Tianying Construction Stone Mining Company Limited 海城市天鷹建築石材採掘有限公司*	The PRC 29 June 2012	RMB150,000	**100**	100	Manufacture and sale of stone material
Shenyang Tiger Cement Company Limited 瀋陽老虎水泥有限公司*	The PRC 14 December 2001	RMB20,330,000	**60**	60	Manufacture and sale of cement
Zhuanghe Tianrui Cement Company Limited 莊河天瑞水泥有限公司*	The PRC 7 August 2002	RMB20,000,000	**100**	100	Manufacture and sale of cement
Tianrui Group Technology Company Limited 天瑞集團信息科技有限公司*	The PRC 2 February 2015	RMB3,000,000	**90**	N/A	Software development, sales and related service

Note:

* The entities are subsidiaries of Tianrui Cement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

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

Three subsidiaries of the Group issued debt securities at the end of the year, which including (i) Tianrui Group Cement Company Limited issued RMB3.8 billion of short term debentures (2014: RMB2.3 billion), RMB3.45 billion of mid-term debentures (2014: RMB2.0 billion), and RMB3 billion of long-term corporate bonds (2014: RMB 2 billion); (ii) Yingkou Tianrui Cement Company Limited issued RMB250 millions of mid-term debentures (2014: 250 millions) and (iii) Tianrui Group Xiaoxian Cement Company Limited has issued RMB250 millions of mid-term debentures in 2014 (2015: Nil).

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

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

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		31/12/2015	31/12/2014	**2015**	2014	**31/12/2015**	31/12/2014
				RMB'000	RMB'000	**RMB'000**	RMB'000
Tianjin Tianrui Cement Company Limited 天津天瑞水泥有限公司	The PRC	**40%**	40%	**(22,729)**	(21,951)	**(104,565)**	(81,459)
Individually immaterial subsidiaries with non-controlling interests						**52,343**	58,811
						(52,222)	(22,648)

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

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

Tianjin Tianrui Cement Company Limited:

	2015 **RMB'000**	2014 RMB'000
Current assets	**29,750**	41,861
Non-current assets	**581,897**	612,672
Current liabilities	**(697,728)**	(683,410)
Non-current liabilities	**(119,513)**	(174,772)
Accumulated deficits	**(260,472)**	(203,649)
Revenue	**136,343**	247,982
Expenses	**193,166**	302,860
Loss and total comprehensive expense for the year	**(56,823)**	(54,878)
Net cash inflow (outflow) from operating activities	**19,552**	(767)
Net cash used in investing activities	**(1,293)**	(2,610)
Net cash (used in) from financing activities	**(10,009)**	5,240
Net cash inflow	**8,250**	1,863

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period includes:

	At 31 December	
	2015	2014
	RMB'000	RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary *(note)*	**1,925,778**	1,257,927
Equipment	**295**	247
Deposits paid	**342,889**	330,577
Derivative financial assets	**678,809**	—
TOTAL NON-CURRENT ASSETS	**2,947,771**	1,588,751
CURRENT ASSET		
Other receivables	**371**	9,233
Cash and bank balances	**127**	9,943
TOTAL CURRENT ASSETS	**498**	19,176
CURRENT LIABILITIES		
Borrowings — due within one year	**301,607**	291,887
Amounts due to a subsidiary	**1,214,994**	58,204
TOTAL CURRENT LIABILITIES	**1,516,601**	350,091
NET CURRENT LIABILITIES	**(1,516,103)**	(330,915)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,431,668**	1,257,836
CAPITAL AND RESERVES		
Share capital *(Note 41)*	**19,505**	19,505
Reserves	**1,345,978**	1,202,406
TOTAL EQUITY	**1,365,483**	1,221,911
NON-CURRENT LIABILITIES		
Long-term corporate bonds	**66,185**	35,925
NON-CURRENT LIABILITIES	**66,185**	35,925
	1,431,668	1,257,836

Note: As at 31 December 2015, the Company's balance of investment in a subsidiary represents its investment cost and the deemed capital contribution arising from the waiver of amounts due from a subsidiary pursuant to the relevant written statement made by the Company during the year. As at 31 December 2014, the Company's balance of investment in a subsidiary represents its investment cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Cont'd)

Movement in reserves

	Share premium	Other reserve	Accumulated (deficits) earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	1,275,536	—	(50,163)	1,225,373
Loss and total comprehensive expense for the year	—	—	(22,967)	(22,967)
At 31 December 2014	1,275,536	—	(73,130)	1,202,406
Profit and total comprehensive income for the year	—	—	418,521	418,521
Transfer	(1,270,896)	—	1,270,896	—
Dividends distribution	—	—	(504,189)	(504,189)
Options granted by the shareholder *(note 24)*	—	229,240	—	229,240
At 31 December 2015	4,640	229,240	1,112,098	1,345,978

54. EVENT AFTER THE REPORTING PERIOD

On 10 January 2016, the Group acquired 100% of the equity interest of a subsidiary from three independent third parties for a consideration of RMB86,000,000. The subsidiary acquired is engaged in the manufacture and sale of cement.

C. UNAUDITED INTERIM FINANCIAL STATEMENTS

The following is an extract of unaudited consolidated financial statements of the Group for the six months ended 30 June 2016 together with the notes thereto from the Company's interim results announcement for the six months ended 30 June 2016.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June 2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Revenue	4, 5	**3,095,494**	3,480,143
Cost of sales		**(2,319,429)**	(2,641,249)
Gross profit		**776,065**	838,894
Other income	6	**195,675**	201,581
Selling and distribution expenses		**(141,784)**	(147,491)
Administrative expenses		**(171,217)**	(146,196)
Other expenses		**(20,018)**	(6,932)
Finance costs	7	**(416,282)**	(424,155)
Profit before tax		**222,439**	315,701
Income tax expense	8	**(59,565)**	(84,955)
Profit and total comprehensive income for the period	9	**162,874**	230,746
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**178,050**	245,811
Non-controlling interests		**(15,176)**	(15,065)
		162,874	230,746
Earnings per share			
Basic (RMB)	11	**0.07**	0.10

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	As at 30 June 2016 RMB'000 (unaudited)	As at 31 December 2015 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**12,140,359**	12,491,514
Deposits and advances	13	**1,863,765**	2,431,208
Prepaid lease payments		**807,771**	811,594
Mining rights		**280,406**	255,406
Goodwill		**272,311**	272,311
Other intangible assets		**6,231**	6,607
Interest in an associate		**105,271**	105,271
Derivative financial assets		**678,809**	678,809
Deferred tax assets		**115,924**	115,924
		16,270,847	17,168,644
CURRENT ASSETS			
Inventories		**582,597**	832,241
Trade and other receivables	14	**2,539,496**	3,170,116
Amounts due from a related party		**418,643**	508,064
Pledged bank balances	15	**4,065,619**	4,689,266
Cash and bank balances	16	**747,912**	722,311
		8,354,267	9,921,998
CURRENT LIABILITIES			
Trade and other payables	17	**3,807,158**	4,112,868
Income tax payables		**208,429**	179,472
Short-term debentures	18	**499,500**	3,792,019
Mid-term debentures — due within one year	20	**900,000**	1,300,000
Borrowings — due within one year	19	**5,852,160**	4,334,423
Obligations under finance leases		**56,966**	55,358
Financial guarantee contracts		**9,573**	10,637
		11,333,786	13,784,777
NET CURRENT LIABILITIES		**(2,979,519)**	(3,862,779)
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,291,328**	13,305,865

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	**As at 30 June 2016 RMB'000 (unaudited)**	As at 31 December 2015 RMB'000 (audited)
CAPITAL AND RESERVES			
Issued capital	22	**19,505**	19,505
Share premium and reserves		**7,628,828**	7,450,778
Equity attributable to owners of the Company		**7,648,333**	7,470,283
Non-controlling interests		**(67,398)**	(52,222)
TOTAL EQUITY		**7,580,935**	7,418,061
NON-CURRENT LIABILITIES			
Borrowings — due after one year	19	**343,600**	155,000
Mid-term debentures	20	**2,145,656**	2,384,171
Long-term corporate bonds	21	**3,059,086**	3,057,635
Other payables		**—**	8,400
Deferred tax liabilities		**56,054**	56,054
Deferred income		**86,832**	177,483
Obligations under finance leases		**—**	28,887
Provision for environmental restoration		**19,165**	20,174
		5,710,393	5,887,804
		13,291,328	13,305,865

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the Company									
	Issued capital	Share premium	Capital reserve	Statutory reserve fund	Other reserve	Revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 22)		(Note i)	(Note ii)	(Note iii)	(Note iv)				
At 1 January 2015	19,505	1,275,536	789,990	472,367	823,549	31,768	4,023,245	7,435,960	(22,648)	7,413,312
Profit for the period and total comprehensive income	—	—	—	—	—	—	245,811	245,811	(15,065)	230,746
Payment of ordinary dividends and special dividends for 2014	—	—	—	—	—	—	(504,189)	(504,189)	—	(504,189)
At 30 June 2015	**19,505**	**1,275,536**	**789,990**	**472,367**	**823,549**	**31,768**	**3,764,867**	**7,177,582**	**(37,713)**	**7,139,869**
At 1 January 2016	**19,505**	**4,640**	**789,990**	**490,359**	**1,048,982**	**31,768**	**5,085,039**	**7,470,283**	**(52,222)**	**7,418,061**
Profit for the period and total comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**178,050**	**178,050**	**(15,176)**	**162,874**
At 30 June 2016	**19,505**	**1,275,536**	**789,990**	**472,367**	**823,549**	**31,768**	**5,263,089**	**7,648,333**	**(67,398)**	**7,580,935**

Note:

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

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

iii. Pursuant to an equity transfer agreement with non-controlling interest of a subsidiary, Tianrui Cement acquired the remaining interest in a subsidiary at a consideration of RMB3,000,000 in 2010. Other reserve represents the difference between the consideration paid by Tianrui Cement and the carrying amount of non-controlling interests being acquired. In addition, it also includes the reserve arising from the reorganization completed on 8 April 2011.

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

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	**305,303**	341,423
Investing activities		
Interest received	**45,099**	34,616
Acquisition of subsidiaries	**(2,000)**	—
Addition of property, plant and equipment	**(58,566)**	(260,302)
Addition of prepaid lease payments	**(191)**	(2,445)
Proceeds from disposal of property, plant and equipment	**2,718**	2,901
Acquisition of mining rights	**(31,028)**	(2,287)
Changes of deposits paid for acquisition business, property, plant and equipment and prepaid lease payments	**567,443**	2,137,665
(Increase) decrease in restricted bank balances	**623,647**	(1,393,288)
Net cash from investing activities	**1,147,122**	516,850
Financing activities		
Interest paid	**(416,283)**	(424,155)
Repayment of borrowings	**(1,850,900)**	(2,290,358)
New borrowings raised	**3,935,000**	2,675,023
Repayment of finance lease obligations	**(27,279)**	(25,360)
Proceeds from bills discounted by the Group	**577,168**	761,772
Settlement of bills discounted by the Group	**(991,530)**	(736,576)
Proceeds from bills payables raised	**1,834,000**	575,000
Settlement of bills payables	**(789,000)**	(1,908,749)
Payment of dividend	**—**	(504,189)
Issuance of mid-term debenture	**—**	500,000
Issuance of short-term debenture	**—**	3,300,000
Repayment of short-term debenture	**(3,700,000)**	(2,500,000)
Net cash from (used in) financing activities	**(1,426,824)**	(577,592)
Increase in cash and cash equivalents	**25,601**	280,681
Cash and cash equivalents at beginning of year	**722,311**	973,302
Cash and cash equivalents at end of the year represented by cash and bank balances	**747,912**	1,253,983

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

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 2016, the Group's current liabilities exceeded its current assets by RMB2,979,519,000. The Group's current liabilities mainly included trade and other payables, debentures 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) Unutilized banking facilities of RMB1,485,500,000 in aggregate which have been obtained before 30 June 2016.

(ii) On 9 November 2015, the Group obtained an approval from the National Association of Financial Market Institutional Investors (中國銀行間交易商協會) to issue corporate debentures in an aggregate amount of RMB1,000,000,000 with a term of two years. The lead underwriter was Bank of Nanjing Company Limited. On 8 December 2014, the Company obtained approval from the National Association of Financial Market Institutional Investors to issue debenture up to a maximum outstanding amount of RMB600,000,000 at any point in time within two years effective period through the lead underwriter, Pingan Bank Company Limited.

Taking into account of the aforesaid presently obtained banking facilities, amount of notes issued 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.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

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 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

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

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle

The application of the amendments to IFRSs mentioned above in the current interim period has 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 set out below:

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of cement	**2,985,634**	3,208,892
Sales of clinker	**109,860**	271,251
	3,095,494	3,480,143

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

5. SEGMENT INFORMATION

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

The Group's general manager 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 and production process of each manufactory plant are 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 For the six months ended 30 June		Segment profit For the six months ended 30 June	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Central China	**2,461,108**	2,648,992	**187,200**	283,695
Northeastern China	**634,386**	831,151	**46,042**	36,037
Total	**3,095,494**	3,480,143	**233,242**	319,732
Unallocated corporate administrative expenses			**(10,803)**	(4,031)
Profit before tax			**222,439**	315,701

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit before tax before unallocation of corporate administrative expenses (including directors' emoluments).

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

6. OTHER INCOME

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Value-added tax refund	**96,210**	103,138
Incentive subsidies	**7,087**	1,356
Foreign exchange gain (loss), net	**(8,531)**	1,016
Interest on bank deposits	**45,099**	34,616
Rental income	**900**	900
Release of deferred income	**1,110**	726
Gain on sales of scrap	**51,029**	51,371
Gain on disposal of property, plant and equipment	**803**	1,330
Reversal of allowance for bad and doubtful debts	**376**	1,647
Others	**1,592**	5,481
	195,675	201,581

7. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	**129,160**	140,417
Finance leases	**1,537**	3,624
Bills discounted with recourse	**19,684**	17,295
Short-term debentures	**74,017**	114,480
Mid-term debentures	**121,493**	105,813
Long-term debentures	**99,922**	71,000
Imputed interest on other payables	**—**	491
	445,813	453,120
Less: amounts capitalized	**(29,531)**	(28,965)
	416,282	424,155

The borrowing costs on general borrowing pool capitalized are calculated by applying a capitalization rate of 5.74% per annum for the period ended 30 June 2016 (2015: 6.44% per annum).

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT")		
— current year	**51,030**	85,234
— under-provision in prior years	**8,535**	6,599
	59,565	91,833
Deferred tax	**—**	(6,878)
	59,565	84,955

No provision for Hong Kong taxation has been made during the current interim period as the Group's income neither arisen in 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):

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**335,153**	333,481
Amortization of prepaid lease payments	**7,518**	7,577
Amortization of mining rights, included in cost of sales	**5,664**	4,689
Amortization of other intangible assets	**376**	434
Total depreciation and amortization	**348,711**	346,181
Cost of inventories recognized as an expense	**2,319,429**	2,641,249
Staff costs including retirement benefit	**196,235**	190,614

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

10. DIVIDENDS

During the current interim period, no dividend has been paid, declared or proposed to be paid. The Directors has decided that no dividend will be paid for the current interim period.

11. EARNINGS PER SHARE

The basic earnings per share attributable to owners of the Company for the each of Reporting Period is calculated based on the following data:

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company (in thousands)	**178,050**	245,811
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 RMB1,914,000 (for the six months ended 30 June 2015: RMB1,571,000) for cash proceeds of RMB2,717,000 (for the six months ended 30 June 2015: RMB2,901,000), resulting in a gain on disposal of RMB803,000 (for the six months ended 30 June 2015: RMB1,330,000).

In addition, during the current interim period, the Group paid approximately RMB35,912,000 (for the six months ended 30 June 2015: RMB260,302,000) mainly for the construction and improvement of clinker production lines and cement production lines in order to expand the production capacity of the Group.

As at 30 June 2016, the carrying amount of buildings, whose certificates of ownership were still being applied, was approximately RMB810,308,000 (31 December 2015: RMB847,408,000).

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

13. DEPOSITS AND ADVANCES

As at 30 June 2016 and 31 December 2015, the amounts represent deposits advances paid for acquisition of business, and acquisition of property, plant and equipment and land use rights.

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 RMB'000 (unaudited)	As at 31 December 2015 RMB'000 (audited)
Trade receivables	**473,549**	416,308
Less: allowance for bad and doubtful debts	**(53,350)**	(53,726)
	420,199	362,582
Bills receivables	**66,459**	612,267
Advances to suppliers	**1,392,637**	1,851,199
Value-added tax refund receivables	**159,833**	26,122
Prepayment for various tax	**230,982**	66,798
Prepaid lease payments	**15,037**	19,116
Other receivables	**254,349**	232,032
	2,539,496	3,170,116

Bills receivables amounted to RMB196,849,000 as at 30 June 2016 (31 December 2015: RMB602,650,000) 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.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

14. TRADE AND OTHER RECEIVABLES — continued

The aged analysis of the Group's trade receivables and bills receivables (net of allowance) from the goods delivery date to the end of each Reporting Period is as follows:

	As at 30 June 2016 RMB'000 (unaudited)	As at 31 December 2015 RMB'000 (audited)
Within 90 days	**272,621**	303,614
91–180 days	**49,632**	535,937
181–360 days	**73,389**	5,551
Over 1 year	**91,016**	129,747
Total	**486,658**	974,849

Before accepting any new credit customers, the Group assesses the potential customer's credit quality and determines credit limits for individual customers. The credit limits and credit periods granted to customers are reviewed on a customer-by-customer basis. Over 90% of trade receivables and bills receivables that are neither past due nor impaired are regarded as due from customers with good credit quality under the internal assessment process adopted by the Group.

15. PLEDGED BANK BALANCES

Pledged bank balances represent deposits pledged to banks as at 30 June 2016 for (i) securing bank borrowings granted to the Group amounting to RMB703,738,000, and (ii) issuing trade facilities such as bills payables and bank guarantee amounting to RMB3,361,881,000.

Pledged bank balances represent deposits pledged to banks as at 31 December 2015 for (i) securing bank borrowings granted to the Group amounting to RMB802,300,000, and (ii) issuing trade facilities such as bills payables and bank guarantee amounting to RMB3,886,966,000.

The restricted bank balances carried interest at market rates of 0.35% to 3.3% per annum as at 30 June 2016 (31 December 2015: 0.35% to 2.0% per annum).

16. CASH AND BANK BALANCES

The amounts represent cash and bank balances held by the Group. As at 30 June 2016, bank balances carried interest at market rates of 0.01% and 4.25% per annum (31 December 2015: 0.01% and 4.25% per annum).

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

17. TRADE AND OTHER PAYABLES

	As at 30 June 2016 RMB'000 (unaudited)	As at 31 December 2015 RMB'000 (audited)
Trade payables	**1,935,104**	1,127,011
Bills payables	**530,000**	1,734,000
Construction cost and retention payables	**369,943**	318,153
Advances from customers	**301,656**	219,380
Other tax payables	**17,264**	45,141
Other payables — current	**4,500**	4,500
Payables for mining rights	**8,300**	8,300
Accrued interest	**422,701**	438,856
Other payables and accrued expenses	**217,690**	217,527
	3,807,158	4,112,868

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

The aged analysis of the Group's trade payables and bills payables from the goods receipt date to the end of each Reporting Period is as follows:

	As at 30 June 2016 RMB'000 (unaudited)	As at 31 December 2015 RMB'000 (audited)
Within 1–90 days	**1,871,305**	1,739,412
91–180 days	**397,188**	484,200
181–365 days	**135,190**	570,565
Over 1 year	**61,421**	66,834
Total	**2,465,104**	2,861,011

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

18. SHORT-TERM DEBENTURES

	As at 30 June 2016 RMB'000 (unaudited)	As at 31 December 2015 RMB'000 (audited)
Short-term debentures	**499,500**	3,792,019

The amounts as at 30 June 2016 represented the short term debentures which included: the short term debentures of RMB500,000,000 issued on 25 September 2015 through the lead underwriter, China Bohai Bank Company Limited with maturity of one year, carrying fixed interest rate at 8.0% per annum.

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

19. BORROWINGS

	As at 30 June 2016 (unaudited)	As at 31 December 2015 (audited)
Bank borrowings		
— fixed-rate	**4,318,100**	2,050,000
— variable-rate	**1,709,076**	1,860,211
	6,027,176	3,910,211
Bank borrowings relating to bills discounted with recourse	**168,584**	579,212
	6,195,760	4,489,423
Secured	**3,947,734**	3,179,423
Unsecured	**2,248,026**	1,310,000
	6,195,760	4,489,423

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

19. BORROWINGS — continued

The borrowings are repayable as follows:

	As at 30 June 2016 (unaudited)	As at 31 December 2015 (audited)
On demand or within one year	**5,852,160**	4,334,423
More than one year, but not exceeding two years	**15,000**	125,000
More than two years, but not exceeding five years	**328,600**	30,000
	6,195,760	4,489,423
Less: amount due within one year shown under current liabilities	**(5,852,160)**	(4,334,423)
Amount due after one year	**343,600**	155,000

During the current interim period, the Group obtained new bank loans amounting to RMB3,935,000,000 (30 June 2015: RMB2,675,023,000). The loans carried interest at variable market rates of 4.35% to 10.53% (30 June 2015: 4.85% to 11.2%). The Directors consider that the carrying amounts of the borrowings recognized in the condensed consolidated financial statements approximate to their fair values.

20. MID-TERM DEBENTURES

	As at 30 June 2016 RMB'000 (unaudited)	As at 31 December 2015 RMB'000 (audited)
Mid-term debentures	**3,045,656**	3,684,171
Less: due within one year	**(900,000)**	(1,300,000)
Due after one year	**2,145,656**	2,384,171

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

20. MID-TERM DEBENTURES — continued

The amounts as at 30 June 2016 represented the mid-term debentures which included: (i) the issuance of the 2013 second tranche of debentures of RMB400,000,000 on 9 August 2013 with maturity of three years, carrying fixed interest rate at 7.0% per annum, (ii) the issuance of the 2014 third tranche of debentures of RMB500,000,000 on 24 September 2014 with maturity of two years, carrying fixed interest rate at 8.6% per annum, (iii) the issuance of the 2015 fourth tranche of debentures of RMB500,000,000 on 27 August 2015 with maturity of two years, carrying fixed interest rate at 7.9% per annum, (iv) the issuance of the 2015 first tranche of debentures of RMB500,000,000 on 9 January 2015 with maturity of three years, carrying fixed interest rate at 8.5% per annum, (v) the issuance of the 2015 first enterprise private debentures of RMB150,000,000 on 24 September 2015 with maturity of two years, carrying fixed interest rate at 8.0% per annum, (vi) the issuance of the 2015 first enterprise private debentures of RMB550,000,000 on 14 September 2015 with maturity of two years, carrying fixed interest rate at 8.0% per annum, and (vii) the issuance of the 2015 second enterprise private debentures of RMB450,000,000 on 23 October 2015 with maturity of two years, carrying fixed interest rate at 8.0% per annum.

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

21. LONG-TERM CORPORATE BONDS

	As at 30 June 2016 RMB'000 (unaudited)	As at 31 December 2015 RMB'000 (audited)
Long-term corporate bonds	**3,059,086**	3,057,635

The amounts as at 30 June 2016 represent: (i) the issuance of long-term corporate bonds in an aggregate principal amount of RMB2,000,000,000 on 6 February 2013, with a term of five years and a rate of 7.21% per annum, with an option to further extend for three years subject to the approval of the bondholders. These 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. These long-term corporate bonds are guaranteed by two subsidiaries of Tianrui Group Company Limited (天瑞集團股份有限公司) ("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, (ii) the issuance of long-term corporate bonds in an aggregate principal amount RMB1,000,000,000 on 29 September 2015 through the lead underwriter, Ping An Securities Company Limited (平安證券有限責任公司), with a term of three years and a rate of 5.95 % per annum, with an option to further extend for two years subject to the approval of the bondholders and negotiation of terms and conditions between the Group and the bondholders and (iii) the issuance of long-term corporate bonds in an aggregate principal amount HK$79,000,000, amounting to RMB66,184,620 which including the issuance of first tranche corporate bonds of HK$45,540,000 on 2 December 2014 and the second tranche corporate bonds of HK$33,460,000 on 15 July 2015, with a term of eight years and a rate of 6.5% per annum. This long-term corporate bonds were issued through the lead underwriter, Convoy Investment Service Limited (康宏證券投資服務有限公司), to non-specific buyers.

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

22. ISSUED CAPITAL

The Company

	Number of shares	Share capital	
		HK$'000	RMB'000
Ordinary share of HK$0.01 each:			
Authorised			
On incorporation	38,000,000	380	316
Additions (Note d)	9,962,000,000	99,620	80,754
At 31 December 2014 and 30 June 2015	10,000,000,000	100,000	81,070
Issued			
On incorporation (Note a)	1	—	—
Issued on 21 February and 2 April 2011 (Note b)	474,999	5	4
Issued on 2 April 2011 (Note c)	525,000	5	4
As at 30 June 2011	1,000,000	10	8
Issued on 23 December 2011 (Note e)	1,999,000,000	19,990	16,240
Issued on 23 December 2011 (Note f)	400,900,000	4,009	3,257
As at 31 December 2014 and 30 June 2015	2,400,900,000	24,009	19,505

Notes:

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

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

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

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

22. ISSUED CAPITAL — continued

The Company — continued

Notes: — continued

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

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

The Group

For the purpose of the preparation of the condensed consolidated statements of financial position, the balances of paid-in capital as at 1 January 2011 represented the paid-in capital of Tianrui Cement amount to RMB1,397,135,000. Pursuant to the reorganization completed on 8 April 2011, the Company became the holding company comprising the Group. The issued capital as at 31 December 2014 and 30 June 2015 represents the issued share capital of the Company.

23. PLEDGE OF ASSETS

As at the end of the reporting period, the carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group is analyzed as follows:

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Property, plant and equipment	**1,035,083**	1,111,326
Prepaid lease payments	**112,511**	114,567
Mining rights	**—**	—
Bill receivables	**—**	—
Restricted bank balances	**703,738**	802,300
	1,851,332	2,028,193

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

24. CAPITAL COMMITMENTS

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Capital expenditure of the Group in respect of acquisition of property, plant and equipment		
— contracted for but not provided in the condensed consolidated financial statements	**426,262**	458,297

25. OPERATING LEASE COMMITMENTS

The Group as lessee

The rental payment paid for the period ended 30 June 2016 amounted to approximately RMB900,000 (six-months ended 30 June 2015: RMB900,000) are paid for certain of its office properties.

As at 30 June 2016, the Group had commitments for future minimum lease payments in respect of rented premises which fall due as follows:

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Within one year	**16,018**	17,015
In the second to fifth year inclusive	**6,081**	13,215
Over five years	**5,769**	6,094
	27,868	36,324

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average terms of one year and rental are fixed throughout the lease term.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

26. RELATED PARTY DISCLOSURES

Apart from above, during the period, the Group had the following significant transactions with the related parties.

Nature of transaction	Name of related company	Notes	Six months ended 30 June 2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Purchase of goods	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	**45,579**	78,548
			45,579	78,548
Office rental expenses	Tianrui Group Company Limited (天瑞集團有限公司)		**900**	900
Sales of goods	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	**—**	6,516
			—	6,516

Notes:

i. An associate of the Group;

ii. Subsidiaries of Tianrui Group Company Limited.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

27. CONTINGENT LIABILITIES

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Guarantees given to banks in respect of banking facilities granted to:		
Related parties	**1,132,000**	1,472,000
Third party	**50,000**	50,000
	1,182,000	1,522,000

As at 30 June 2015 and 31 December 2014, the financial guarantee given to banks in respect of bank facilities utilised by Tianrui Group Yunyang Foundry Company Limited (天瑞集團雲陽鑄造有限公司), Ruzhou Tianrui Coking Company Limited (汝州天瑞煤焦化有限公司) and Tianrui Travel, three subsidiaries of Tianrui Group, which amounted to RMB250,000,000, RMB432,000,000 and RMB93,650,000 respectively. The management considers the risk of the contingent liabilities and recognised financial guarantee liabilities of RMB8,388,000 in the consolidated financial statement.

D. STATEMENT OF INDEBTEDNESS OF THE GROUP

As at the close of business of 30 September 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group has outstanding borrowings and indebtedness of approximately RMB12,211 million, details of which are set out below:

	RMB ('000)
bank loans-secured and guaranteed	2,752
bank loans-secured and unguaranteed	2,285
bank loans-unsecured and guaranteed	830
bank loans-unsecured and unguaranteed	560
short-term debentures-unsecured and unguaranteed	1,500
medium-term debentures-unsecured and unguaranteed	950
long-term corporate bonds-unsecured and unguaranteed	1,074
long-term corporate bonds-unsecured and guaranteed	2,000
obligations under finance leases	251
obligations under financial guarantee	9
Total	**12,211**

As at 30 September 2016, bank borrowings of approximately RMB732 million of Tianrui Group Company Limited ("Tianrui Group") and its other subsidiaries are supported by the guarantee provided by the Group in favor of Tianrui Group.

The total amounts of debt securities authorized but unissued are RMB4,200 million as at 30 September 2016.

Other than as disclosed above, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the Group, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, bank loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, mortgage, charges, guarantees or other material contingent liabilities as at the close of business on 30 September 2016.

E. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors confirm that there is no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2015, the date to which the latest published audited consolidated financial statements of the Group were made up.

F. FINANCIAL AND TRADING PROSPECTS

In the first half of 2016, economic growth in China further slowed down. Therefore, central government of China implemented a series of growth stabilizing policies, including the acceleration of approvals for infrastructure projects, promotion of the PPP cooperation model (公共私營合作制), and reduction in the deposit reserve requirement ratios for various types of financial institutions to maintain a steady economic growth. Economy has achieved stabilized growth since July 2016.

In the first half of 2016, cement prices in Henan province, the largest market in which we operate, continued the down trend as shown in the second half of 2015, until it marked the bottom in February 2016 and turned around afterwards. Though the average cement prices in Henan province for the first half of 2016 still lagged behind that of the corresponding period of the previous year, according to the website of Digital Cement, which is an information provider for the cement industry in China, the related regional cement output increased by 2.6% as compared to the corresponding period of the previous year. Since July 2016, the sale prices of cement and clinker in the Henan region have improved from the market low and the sale prices per tonne have increased following the reform policies progressed by the PRC government. For further details, please refer to the section headed "Non-competition deed and reasons for the acquisition" in this circular.

The Directors believe that the acquisition by the Group of 100% of the equity of Yongan Cement and 55% of the equity of Xindeng Cement at this stage, will help Group to expand its market coverage to regional markets within Henan province, such as Luoyang City, Gongyi City and Dengfeng City, to strengthen its position in its core market in Zhengzhou City, and would further create synergy with the Group's existing markets in Henan Province. For further details, please refer to the section headed "Non-competition deed and reasons for the acquisition" in this circular.

(1) YONGAN CEMENT

A. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the audited financial information of Yongan Cement for the years ended 31 December 2013, 2014 and 2015; and six months period ended 30 June 2016 as extracted from the auditors' report of Yongan Cement for the years ended 31 December 2013, 2014 and 2015; and six months period ended 30 June 2016, which were audited by Deloitte Touche Tohmatsu. There were no exceptional items, whether because of size, nature or incidence, in the financial statements of Yongan Cement for the six months ended 30 June 2016 and each of the three years ended 31 December 2015. The audit opinions in respect of the above periods were not qualified and there were no modified opinions.

RESULTS

	For the six months ended 30 June	For the year ended 31 December		
	2016	**2015**	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)
Revenue	89,203	244,386	260,736	274,117
Cost of sales	(95,025)	(248,579)	(353,627)	(335,695)
Gross loss	(5,822)	(4,193)	(92,891)	(61,578)
Other income	190	1,408	233	538
Other gains and losses	(308)	(517)	(14,949)	(21,678)
Other expenses	(12)	(586)	(126)	(1,183)
Distribution and selling expenses	(3,601)	(9,493)	(9,316)	(8,132)
Administrative expenses	(7,416)	(15,755)	(19,170)	(16,739)
Finance costs	(207)	(385)	(21,142)	(32,042)
Loss before tax	(17,176)	(29,521)	(157,361)	(140,814)
Income tax expense	—	—	—	—
Loss and total comprehensive expense for the period/year attributable to shareholders of the Company	(17,176)	(29,521)	(157,361)	(140,814)
Earnings per share				
Basic	N/A	N/A	N/A	N/A
Dividend	N/A	N/A	N/A	N/A

ASSETS AND LIABILITIES

	As at 30 June 2016 *RMB'000* (audited)	As at 31 December 2015 *RMB'000* (audited)	As at 31 December 2014 *RMB'000* (audited)	As at 31 December 2013 *RMB'000* (audited)
Non-Current Assets	597,512	610,156	637,813	617,688
Current Assets	93,524	96,173	90,906	175,284
Current Liabilities	103,350	101,467	694,905	924,797
Net Current Liabilities	(9,826)	(5,294)	(603,999)	(749,513)
Total Assets Less Current Liabilities	587,686	604,862	33,814	(131,825)
Equity attributable to owners of the Company	587,686	604,862	33,814	(131,825)
Total Equity	587,686	604,862	33,814	(131,825)

B. AUDITED ANNUAL FINANCIAL STATEMENTS

The following is an extract of audited financial statements prepared under IFRS of Yongan Cement for the years ended 31 December 2013, 2014 and 2015; and six months period ended 30 June 2016 together with the notes thereto from the auditors' report of Yongan Cement for the years ended 31 December 2013, 2014 and 2015; and six months period ended 30 June 2016.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the years ended 31 December			For the six months ended 30 June	
	Notes	2013	2014	2015	2015	2016
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
		Yongan Group			Yongan Cement	
Revenue	6	274,117	260,736	244,386	129,508	89,203
Cost of sales		(335,695)	(353,627)	(248,579)	(135,425)	(95,025)
Gross loss		(61,578)	(92,891)	(4,193)	(5,917)	(5,822)
Other income	7	538	233	1,408	652	190
Other gains and losses	8	(21,678)	(14,949)	(517)	(198)	(308)
Other expenses	9	(1,183)	(126)	(586)	(178)	(12)
Distribution and selling expenses		(8,132)	(9,316)	(9,493)	(5,063)	(3,601)
Administrative expenses		(16,739)	(19,170)	(15,755)	(8,451)	(7,416)
Finance costs	10	(32,042)	(21,142)	(385)	(385)	(207)
Loss before tax		(140,814)	(157,361)	(29,521)	(19,540)	(17,176)
Income tax expense	11	—	—	—	—	—
Loss and total comprehensive expense for the year/period	12	(140,814)	(157,361)	(29,521)	(19,540)	(17,176)

Note: The statements of profit or loss and other comprehensive income are of Yongan Group for the year ended 31 December 2013, 2014 and 2015 and of Yongan Cement for the six months ended 30 June 2015 and 2016, as the subsidiary of Yongan Cement was disposed on 12 February 2015.

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2013 RMB'000	2014 RMB'000	2015 RMB'000	As at 30 June 2016 RMB'000
		Yongan Group			Yongan Cement
NON-CURRENT ASSETS					
Property, plant and equipment	15	591,073	583,031	552,808	541,030
Deposits paid	16	6,035	—	—	—
Prepaid lease payments	17	20,399	19,958	19,517	19,297
Mining rights	18	181	34,824	37,131	36,473
Pledged bank balances	24	—	—	700	712
		617,688	637,813	610,156	597,512
CURRENT ASSETS8					
Inventories	19	102,010	61,710	42,836	26,875
Trade and other receivables	20	38,165	12,910	8,724	10,943
Amounts due from related parties	22	24,738	4,772	667	350
Pledged bank balances	23	10,000	—	—	—
Cash and cash equivalents	24	371	11,514	43,946	55,356
		175,284	90,906	96,173	93,524
CURRENT LIABILITIES					
Trade and other payables	25	177,314	291,509	101,467	88,712
Amounts due to related parties	26	740,360	353,396	—	6,691
Borrowings — due within one year	27	5,940	50,000	—	7,947
Provision	28	1,183	—	—	—
		924,797	694,905	101,467	103,350
NET CURRENT LIABILITIES		(749,513)	(603,999)	(5,294)	(9,826)
TOTAL ASSETS LESS CURRENT LIABILITIES		(131,825)	33,814	604,862	587,686
CAPITAL AND RESERVES					
Paid-in capital	29	50,000	50,000	572,600	572,600
Reserves		(181,825)	(339,186)	(368,698)	(385,874)
Perpetual capital instruments	30	—	323,000	400,960	400,960
TOTAL (DEFICIT) EQUITY		(131,825)	33,814	604,862	587,686

STATEMENTS OF FINANCIAL POSITION OF YONGAN CEMENT

		As at 31 December		
	Notes	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Investment in a subsidiary	14	5,000	5,000	—
Property, plant and equipment	15	591,073	583,031	552,808
Deposits paid	16	6,035	—	—
Prepaid lease payments	17	20,399	19,958	19,517
Mining rights	18	181	34,824	37,131
Pledged bank balances	24	—	—	700
		622,688	642,813	610,156
CURRENT ASSETS				
Inventories	19	102,010	61,710	42,836
Trade and other receivables	20	38,165	12,910	8,724
Amounts due from a subsidiary	15	14,400	—	—
Amounts due from related parties	22	5,338	—	667
Pledged bank balances	23	10,000	—	—
Cash and cash equivalents	24	371	11,514	43,946
		170,284	86,134	96,173
CURRENT LIABILITIES				
Trade and other payables	25	177,314	291,509	101,467
Amounts due to a subsidiary	15	—	5,228	—
Amounts due to related parties	26	740,360	348,396	—
Borrowings — due within one year	27	5,940	50,000	—
Provision	28	1,183	—	—
		924,797	695,133	101,467
NET CURRENT LIABILITIES		(754,513)	(608,999)	(5,294)
TOTAL ASSETS LESS CURRENT LIABILITIES		(131,825)	33,814	604,862
CAPITAL AND RESERVES				
Paid-in capital	29	50,000	50,000	572,600
Reserves		(181,825)	(339,186)	(368,698)
Perpetual capital instruments	30	—	323,000	400,960
TOTAL (DEFICIT) EQUITY		(131,825)	33,814	604,862

STATEMENTS OF CHANGES IN EQUITY OF YONGAN GROUP AND YONGAN CEMENT

	Paid-in Capital *RMB'000*	Capital reserve *RMB'000* *(note i)* *(note 29)*	Accumulated losses *RMB'000*	Perpetual capital instruments *RMB'000* *(note 30)*	Total *RMB'000*
At 1 January 2013	50,000	—	(41,011)	—	8,989
Loss and total comprehensive expenses for the year	—	—	(140,814)	—	(140,814)
At 31 December 2013	50,000	—	(181,825)	—	(131,825)
Loss and total comprehensive expenses for the year	—	—	(157,361)	—	(157,361)
Issue of perpetual capital instruments	—	—	—	323,000	323,000
At 31 December 2014	50,000	—	(339,186)	323,000	33,814
Loss and total comprehensive expenses for the year	—	—	(29,521)	—	(29,521)
Capital injection	522,600	9	—	—	522,609
Issue of perpetual capital instruments	—	—	—	77,960	77,960
At 31 December 2015	572,600	9	(368,707)	400,960	604,862
Loss and total comprehensive expenses for the period	—	—	(17,176)	—	(17,176)
At 30 June 2016	572,600	9	(385,883)	400,960	587,686
(Unaudited)					
At 1 January 2015	50,000	—	(339,186)	323,000	33,814
Loss and total comprehensive expenses for the period	—	—	(19,540)	—	(19,540)
Capital injection	322,600	9	—	—	322,609
Issue of perpetual capital instruments	—	—	—	77,960	77,960
At 30 June 2015	372,600	9	(358,726)	400,960	414,843

Note:

i. Capital reserve represents the excess of capital injection over the paid-in capital.

STATEMENTS OF CASH FLOWS

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
	Yongan Group			Yongan Cement	
Operating activities					
Loss for the year/period	(140,814)	(157,361)	(29,521)	(19,540)	(17,176)
Adjustments for:					
Interest income recognized in profit or loss	(6)	(42)	(94)	(32)	(92)
Depreciation of property, plant and equipment	33,864	34,885	36,510	18,164	16,845
Finance costs recognised in profit or loss	32,042	21,142	385	385	207
Impairment loss recognised in respect of property, plant and equipment	14,000	—	—	—	—
Amortisation of prepaid lease payments	441	441	441	220	220
Amortisation of mining rights	22	825	1,257	603	658
Allowances for bad and doubtful debts	7,675	14,270	689	—	231
Loss (gain) on disposal of property, plant and equipment	—	55	(46)	(46)	—
Provision for lawsuit provided in the year	1,183	—	—	—	—
Operating cash flows before movements in working capital	(51,593)	(85,785)	9,621	(246)	893
Decrease in inventories	51,727	40,300	18,874	12,649	15,961
(Increase) decrease in trade and other receivables	(33,620)	10,985	3,497	(21,564)	(2,450)
(Increase) decrease in amounts due from related parties	(5,338)	5,338	(667)	—	317
(Decrease) increase in amounts due to related parties	(57,882)	(48,032)	—	—	6,691
Increase (decrease) in trade and other payables	7,408	(57,018)	4,325	13,319	(9,267)
Decrease in provision	—	(1,183)	—	—	—
Net cash (used in) from operating activities	(89,298)	(135,395)	35,650	4,158	12,145
Investing activities					
Interest received	6	42	94	32	92
Purchase of property, plant and equipment	(11,412)	(50,403)	(671)	(566)	(8,555)
Purchase of mining rights	—	(35,468)	(3,564)	—	—
Proceeds from disposal of property, plant and equipment	—	753	63	63	—
Placement of pledged bank balances	(10,000)	—	(700)	(10)	(12)
Release of pledged bank balances	—	10,000	—	—	—
Amounts collected from Hongqi Coal	5,000	14,628	—	—	—
Net cash used in investing activities	(16,406)	(60,448)	(4,778)	(481)	(8,475)

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
	Yongan Group			Yongan Cement	
Financing activities					
Interest paid	(6,143)	(47,041)	(385)	(385)	(207)
Repayment of bank borrowings	(20,000)	(5,940)	(50,000)	(50,000)	—
New bank borrowings raised	5,940	50,000	—	—	7,947
New borrowings from other parties	97,426	—	—	—	—
Repayment of borrowings from other parties	—	(313,033)	(26,015)	(22,500)	—
Issue of perpetual capital instruments	—	323,000	77,960	77,960	—
Cash injection from Tianrui Group *(note 25)*	—	200,000	—	—	—
Net cash from (used in) financing activities	77,223	206,986	1,560	5,075	7,740
Net (decrease) increase in cash and cash equivalents	(28,481)	11,143	32,432	8,752	11,410
Cash and cash equivalents at the beginning of year/period	28,852	371	11,514	11,514	43,946
Cash and cash equivalents at end of the year/period	371	11,514	43,946	20,266	55,356
Analysis of cash and cash equivalents					
Cash and bank balances	371	418	489	420	89
Cash equivalents *(note 24)*	—	11,096	43,457	19,846	55,267
Total cash and cash equivalents	371	11,514	43,946	20,266	55,356

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The registered office and principal place of business of Yongan Cement is located at Zhi Tian Industrial Demonstration Area in Gongyi City, Henan Province, the PRC.

The original shareholders of Yongan Cement were Gongyi City Pingan Transport Company Limited ("Pingan Transport") with 70% interests and Gongyi City Second Electric-power Industry ("Gongyi Second Electric-power") with 30% interests and original paid-in capital was amounting to RMB10,000,000. The ultimate holding company was Pingan Transport, which was controlled by Yuan Baolong (袁保龍).

In March 2009, Henan Yuhao Investment Company Limited ("Yuhao Investment") acquired 60% interests from Pingan Transport and 30% interests from Gongyi Second Electric-power. The immediate holding company was changed to Yuhao Investment. With the cash injection from Yuhao Investment, the paid-in capital had increased to RMB50,000,000 as at 8 March 2010. In June 2011, Henan Hongqi Coal Company limited ("Hongqi Coal") acquired 90% interests from Yuhao Investment. The immediate and ultimate holding company of Yongan Cement changed to Hongqi Coal, which was controlled by Wang Rongchao (王榮超).

In January 2015, Tianrui Group Company Limited ("Tianrui Group"), a company established in PRC with limited liability, acquired 80% interests in Yongan Cement from Hongqi Coal and another 10% interests from Pingan Transport. Tianrui Group acquired the remaining 10% interests from Hongqi Coal in October 2015. The ultimate holding company changed to Tianrui Group, which is wholly-owned by Li Liufa (李留法) and his spouse.

Yongan Cement is engaged in manufacture and sale of cement and clinker. The subsidiary has no business.

The financial statements is presented in Renminbi ("RMB"), which is also the functional currency of Yongan Cement and its subsidiary (hereinafter collectively referred to as "Yongan Group").

2. BASIS OF PREPARATION

As at 31 December 2014, 2015 and 30 June 2016, Yongan Group's current liabilities exceeded its current assets by RMB603,999,000, RMB5,294,000 and RMB9,826,000 respectively. As at 31 December 2014 and 2015, Yongan Cement's current liabilities exceeded its current assets by RMB608,999,000 and RMB5,294,000 respectively.

Based on Yongan Group's and Yongan Cement's forecasts and projections of business performance, taking account of operating cash flows as well as capital expenditure and availability of financial supporting from the shareholder, the directors of Yongan Cement are of the view that Yongan Group and Yongan Cement will have sufficient financial resources to continue as a going concern.

3. APPLICATION OF IFRSs

For the purpose of preparing and presenting the financial statements for the "Relevant Periods", Yongan Group and Yongan Cement have adopted all the IFRSs which are effective for Yongan Group's and Yongan Cement's financial periods beginning on 1 January 2016 consistently throughout the Relevant Periods.

At the date of this report, the following new and amendments to IFRSs have been issued which are not yet effective. Yongan Group and Yongan Cement have not early adopted these IFRSs.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014–2016 Cycle[5]

1 Effective for annual Periods beginning on or after 1 January 2018.
2 Effective for annual Periods beginning on or after 1 January 2019.
3 Effective for annual Periods beginning on or after a date to be determined
4 Effective for annual Periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Except as described below, the directors of Yongan Cement anticipate that the application of the new and amendments to IFRSs will have no material impact on the financial statements.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 which are relevant to Yongan Group and Yongan Cement are described below:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Except for the potential early recognition of credit losses based on the expected loss model in relation to Yongan Group's and Yongan Cement's financial assets measured at amortised cost, the directors of Yongan Cement anticipate that the adoption of IFRS 9 in the future may not have other significant impact on amounts reported in respect of Yongan Group's and Yongan Cement's financial assets and financial liabilities based on an analysis of Yongan Group's and Yongan Cement's financial instruments as at 30 June 2016.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements has been prepared in accordance with IFRSs. In addition, the financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Hong Kong Companies Ordinance ("CO").

The financial statements has been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The financial statements incorporates the financial statements of Yongan Cement and entity controlled by Yongan Cement. Control is achieved when Yongan Cement:

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) has the ability to use its power to affect its returns.

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

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

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

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

Investment in a subsidiary

Investment in a subsidiary is stated as cost less any identified impairment loss on the statement of financial position of Yongan Cement.

Revenue recognition

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

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

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

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

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss, if any. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mining rights

Mining rights acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of mining rights with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Leasing

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

Yongan Group and Yongan Cement as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the relevant lease term.

Leasehold land and building

When a lease includes both land and building elements, Yongan Group and Yongan Cement assess the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to Yongan Group and Yongan Cement. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the statements of financial position and is amortised over the lease term on a straight-line basis.

Borrowing costs

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

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

Retirement benefits costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contribution.

Short-term employee benefit

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Yongan Group's and Yongan Cement's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Yongan Group and Yongan Cement expect, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year/period

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when Yongan Group and Yongan Cement have a present obligation (legal or constructive) as a result of a past event, it is probable that Yongan Group and Yongan Cement will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision, is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Impairment of tangible and intangible assets

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

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

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

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Yongan Group's and Yongan Cement's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties, pledged bank balances and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any impairment.

Impairment of loans and receivables

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

Objective evidence of impairment could include:

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

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

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

Derecognition of financial assets

Yongan Group and Yongan Cement derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If Yongan Group and Yongan Cement retain substantially all the risks and rewards of ownership of a transferred asset, Yongan Group and Yongan Cement continue to recognise the financial assets and recognise a collateralised borrowing for proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of Yongan Group and Yongan Cement after deducting all its liabilities. Equity instruments issued by Yongan Group and Yongan Cement are recognised at the proceeds received, net of direct issue costs.

A financial instrument issued by Yongan Group and Yongan Cement, which includes no contractual obligation for Yongan Group and Yongan Cement to deliver cash or other financial assets to the holders to exchange financial assets or financial liabilities with the holder under conditions that are potentially unfavourable to Yongan Group and Yongan Cement, is classified as equity instrument.

Perpetual capital instruments issued by Yongan Group and Yongan Cement with such characteristics are classified as equity instruments and are initially recorded at the proceeds received, net of direct issue costs.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Yongan Group's and Yongan Cement's financial liabilities including trade and other payables, amounts due to related parties and borrowings are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

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

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

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

Derecognition of financial liabilities

Yongan Group and Yongan Cement derecognise financial liabilities when, and only when, Yongan Group's and Yongan Cement's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Key sources of estimation uncertainty

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

Estimated impairment of property, plant and equipment

Property, plant and equipment are stated at costs less accumulated depreciation/amortisation and impairment, as appropriate. The directors of Yongan Cement review their impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable at the end of each reporting period. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

In determining whether an asset is impaired, Yongan Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the value in use, i.e. the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, Yongan Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2013, 2014, 2015 and 30 June 2016, the carrying amount of property, plant and equipment is RMB591,073,000, RMB583,031,000, RMB552,808,000 and RMB541,030,000 (net of impairment loss of RMB14,000,000 at the end of each reporting period). Details of the impairment of property, plant and equipment are disclosed in Note 14.

6. REVENUE AND SEGMENT INFORMATION

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

An analysis of Yongan Group's and Yongan Cement's revenue for the year/period is as below:

	For the year ended 31 December			For the six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
		Yongan Group		**Yongan Cement**	
Sales of cement	239,646	216,275	235,358	120,480	89,203
Sales of clinker	34,471	44,461	9,028	9,028	—
	274,117	260,736	244,386	129,508	89,203

Information reported to the directors of Yongan Cement, who are identified as the chief operating decision maker (the "CODM") of Yongan Group and Yongan Cement, in order to allocate resources and to assess performance, focuses on the operating results of Yongan Group and Yongan Cement as a whole as Yongan Group's and Yongan Cement's resources are integrated and no further discrete operating segment financial statements is available. Accordingly, no operating segment information is presented.

All of Yongan Group's and Yongan Cement's operations are located in the PRC. Yongan Group's and Yongan Cement's revenue from external customers and all of its non-current assets are located in PRC based on geographical location of assets.

No revenue from individual external customer contributing over 10% of total revenue of Yongan Group and Yongan Cement.

7. OTHER INCOME

	For the year ended 31 December			For the six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
		Yongan Group		**Yongan Cement**	
Sales of scrap materials	532	191	1,314	620	98
Interest on bank deposits	6	42	94	32	92
	538	233	1,408	652	190

8. OTHER GAINS AND LOSSES

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
	Yongan Group			Yongan Cement	
(Loss) gain on disposal of property, plant and equipment	—	(55)	46	46	—
Allowance for bad and doubtful debts	(7,675)	(14,270)	(689)	—	(231)
Impairment loss recognised in respect of property, plant and equipment	(14,000)	—	—	—	—
Others	(3)	(624)	126	(244)	(77)
	(21,678)	(14,949)	(517)	(198)	(308)

9. OTHER EXPENSES

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
	Yongan Group			Yongan Cement	
Other operating cost	—	126	586	178	12
Provision for pending lawsuits *(note 28)*	1,183	—	—	—	—
	1,183	126	586	178	12

10. FINANCE COSTS

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
	Yongan Group			Yongan Cement	
Interest on:					
Bank borrowings	2,284	3,406	385	385	154
Other borrowings	29,744	17,310	—	—	—
Bills discounted with recourse	14	426	—	—	53
	32,042	21,142	385	385	207

Note: There are no borrowing costs capitalized. Interest on other borrowing was accrued for amount due to related parties.

11. INCOME TAX EXPENSE

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 Yongan Cement and its subsidiary are 25%.

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

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
	Yongan Group			Yongan Cement	
Loss before tax	(140,814)	(157,361)	(29,521)	(19,540)	(17,176)
Tax at the applicable rate of 25%	(35,204)	(39,340)	(7,380)	(4,885)	(4,294)
Tax effect of expenses that are not deductible	6,230	5,843	75	26	33
Tax effect of tax losses not recognised	23,555	30,163	7,367	4,976	4,320
Tax effect of deductible temporary differences not recognised	5,419	3,568	172	—	58
Utilisation of deductible temporary previously not recognised	—	(234)	(234)	(117)	(117)
Income tax expenses for the year/ period	—	—	—	—	—

Deferred tax assets have not been recognized in respect of the following items:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Yongan Group			Yongan Cement
Tax losses	125,438	246,091	275,559	292,840
Deductible temporary differences				
— Impairment loss recognised in respect of property, plant and equipment	14,000	13,067	12,134	11,667
— Allowances for bad and doubtful debt, net	7,675	21,945	22,634	22,865

As at 31 December 2013, 2014, 2015 and 30 June 2016, no deferred tax assets has been recognised in respect of the tax loss amounting to RMB125,438,000, RMB246,091,000, RMB275,559,000 and RMB292,840,000 respectively due to the unpredictability of future profit streams. The unrecognised tax loss will expire as follows:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Yongan Group			Yongan Cement
2017	31,219	31,219	31,219	31,219
2018	94,219	94,219	94,219	94,219
2019	—	120,653	120,653	120,653
2020	—	—	29,468	29,468
2021	—	—	—	17,281
Total	125,438	246,091	275,559	292,840

12. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR/PERIOD

Loss and total comprehensive expense for the year/period has been arrived at after charging:

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
	Yongan Group			Yongan Cement	
Depreciation of property, plant and equipment	33,864	34,885	36,510	18,164	16,845
Amortisation of prepaid lease payments	441	441	441	220	220
Amortisation of mining rights	22	825	1,257	603	658
Total depreciation and amortisation	34,327	36,151	38,208	18,987	17,723
Less: amounts capitalised to inventories	—	—	27,670	14,694	11,316
amounts directly recognised in cost of sales	32,466	33,977	8,775	3,505	5,822
	1,861	2,174	1,763	788	585
Allowances for bad and doubtful debts	7,675	14,270	689	—	231
Impairment loss recognised in respect of property, plant and equipment	14,000	—	—	—	—
Loss (gain) on disposal of property, plant and equipment	—	55	(46)	(46)	—
Cost of inventories recognised as an expense	274,117	260,736	235,898	130,665	89,203
Staff costs including retirement benefit	17,518	18,649	18,923	8,545	6,522
Less: staff costs capitalised to inventories	8,657	9,108	11,282	4,275	2,860
staff costs directly recognised in cost of sales	1,334	1,401	496	245	556
	7,527	8,140	7,145	4,025	3,106

13. EARNINGS PER SHARE

No earnings per share information is presented as such information is not meaningful having regard to the purpose of this report.

14. INVESTMENT IN A SUBSIDIARY/AMOUNTS DUE FROM/TO A SUBSIDIARY

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted share, at cost	5,000	5,000	—	—

Note: On 12 February 2015, the subsidiary, Gongyi Chaofeng Mining Investment Company Limited (鞏義市超峰礦山投資有限公司), was disposed to one subsidiary of Hongqi Coal by Yongan Cement. The disposal amount was same as the carrying amount of the subsidiary on the date of disposal and no gain or loss was recorded in the disposal period.

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from a subsidiary	14,400	—	—	—

Note: The amount due from a subsidiary is unsecured, interest-free and no fixed repayment term. In the opinion of the directors of Yongan Cement, the amount is expected to be recovered within one year and therefore the amount is classified as current assets.

Amount due to a subsidiary	—	5,228	—	—

Note: The amount due from a subsidiary is unsecured, interest-free and repayable on demand.

15. PROPERTY, PLANT AND EQUIPMENT

Yongan Group and Yongan Cement

	Buildings	Plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2013	392,578	242,076	36,582	1,880	5,873	678,989
Additions	—	2,752	5,463	95	7,971	16,281
At 31 December 2013	392,578	244,828	42,045	1,975	13,844	695,270
Additions	617	6,407	12,276	1,195	7,156	27,651
Disposals	—	(699)	(190)	(752)	—	(1,641)
At 31 December 2014	393,195	250,536	54,131	2,418	21,000	721,280
Additions	1,310	4,098	273	22	601	6,304
Disposals	—	—	(95)	—	—	(95)
At 31 December 2015	394,505	254,634	54,309	2,440	21,601	727,489
Additions	—	73	—	—	4,994	5,067
Transfer	—	4,994	—	—	(4,994)	—
At 30 June 2016	394,505	259,701	54,309	2,440	21,601	732,556
DEPRECIATION AND IMPAIRMENT						
At 1 January 2013	20,719	24,685	10,352	577	—	56,333
Provided for the year	12,432	15,419	5,667	346	—	33,864
Impairment loss recognised in profit and loss	—	14,000	—	—	—	14,000
At 31 December 2013	33,151	54,104	16,019	923	—	104,197
Provided for the year	12,414	13,754	8,041	676	—	34,885
Eliminated on disposals	—	(181)	(108)	(544)	—	(833)
At 31 December 2014	45,565	67,677	23,952	1,055	—	138,249
Provided for the year	12,474	15,650	7,962	424	—	36,510
Eliminated on disposals	—	—	(78)	—	—	(78)
At 31 December 2015	58,039	83,327	31,836	1,479	—	174,681
Provided for the period	6,235	7,976	2,431	203	—	16,845
At 30 June 2016	64,274	91,303	34,267	1,682	—	191,526
CARRYING AMOUNTS						
At 31 December 2013	359,427	190,724	26,026	1,052	13,844	591,073
At 31 December 2014	347,630	182,859	30,179	1,363	21,000	583,031
At 31 December 2015	336,466	171,307	22,473	961	21,601	552,808
At 30 June 2016	330,231	168,398	20,042	758	21,601	541,030

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

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

Impairment assessment

At the end of 31 December 2013, in view of the unfavorable future prospects of Yongan Group and Yongan Cement, there was indication that property, plant and equipment may suffer an impairment loss. The management of Yongan Group has conducted impairment testing. After the assessment, the recoverable amount is value in use, and the impairment of plant and machinery amounted to RMB14,000,000 had been recognised during the year 2013.

The impairment loss recognised for the above assets have been included in profit or loss in the "Other gains and losses" in the consolidated statement of profit or loss and other comprehensive income.

16. DEPOSITS PAID

Yongan Group and Yongan Cement

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits paid for acquiring property, plant and equipment	6,035	—	—	—

17. PREPAID LEASE PAYMENTS

Yongan Group and Yongan Cement

	RMB'000
At 1 January 2013	21,281
Charge for the year	(441)
At 31 December 2013	20,840
Charge for the year	(441)
At 31 December 2014	20,399
Charge for the year	(441)
At 31 December 2015	19,958
Charge for the period	(220)
At 30 June 2016	19,738

Analysis for reporting purposes as:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets included in trade and other receivables *(Note 20)*	441	441	441	441
Non-current assets	20,399	19,958	19,517	19,297
	20,840	20,399	19,958	19,738

Prepaid lease payments are amortised over the lease term of the respective leases.

18. MINING RIGHTS

Yongan Group and Yongan Cement

	Mining rights
	RMB'000
COST	
At 1 January 2013 and 31 December 2013	246
Additions	35,468
At 31 December 2014	35,714
Additions	3,564
At 31 December 2015 and 30 June 2016	39,278
ACCUMULATED AMORTISATION	
At 1 January 2013	43
Amortisation	22
At 31 December 2013	65
Amortisation	825
At 31 December 2014	890
Amortisation	1,257
At 31 December 2015	2,147
Amortisation	658
At 30 June 2016	2,805
CARRYING AMOUNTS	
At 31 December 2013	181
At 31 December 2014	34,824
At 31 December 2015	37,131
At 30 June 2016	36,473

The useful life of the mining right in respect of limestone sites located in the PRC is 30 years.

19. INVENTORIES

Yongan Group and Yongan Cement

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials and consumables	56,558	34,580	21,530	19,826
Work-in-progress	—	678	653	224
Finished goods	45,452	26,452	20,653	6,825
	102,010	61,710	42,836	26,875

20. TRADE AND OTHER RECEIVABLES

Yongan Group and Yongan Cement

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	7,876	4,203	434	129
Less: allowances for bad and doubtful debts	(78)	(2,564)	(283)	(129)
	7,798	1,639	151	—
Bills receivables	9,357	2,742	100	3,047
Advance to suppliers	12,092	6,115	7,638	6,170
Prepayment for various taxes	5,422	1,455	—	699
Prepaid lease payments *(Note 17)*	441	441	441	441
Other receivables	3,055	766	1,331	1,908
Less: allowances for bad and doubtful debts	—	(248)	(937)	(1,322)
Net amount of other receivables	3,055	518	394	586
Total	38,165	12,910	8,724	10,943

Note: Bill receivables amounted to RMB5,954,000 and RMB3,000,000 as at 31 December 2013 and 30 June 2016 respectively were discounted to banks to obtain borrowings of RMB5,940,000 and RMB2,947,000. There was no bill receivables discounted to banks as at 31 December 2014 and 2015.

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

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	12,405	3,916	100	198
91–180 days	528	150	151	2,849
181–360 days	4,222	315	—	—
Total	17,155	4,381	251	3,047

Yongan Group and Yongan Cement allow a credit period of approximately 180 days. Before accepting any new customers, Yongan Group and Yongan Cement assess 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. 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 Yongan Group and Yongan Cement.

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

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
181–360 days	4,222	315	—	—
Total	4,222	315	—	—

Included in Yongan Group's and Yongan Cement's trade receivable are debtors with aggregate carrying amount of RMB4,222,000 and RMB315,000 which are past due as at 31 December 2013 and 2014 for which Yongan Group and Yongan Cement have not provided for impairment loss, and there is no trade receivable which is past due as at 31 December 2015 and 30 June 2016. Yongan Group and Yongan Cement do not hold any collateral over these balances. No allowance has been provided for those balances as Yongan Group and Yongan Cement consider 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.

Movement in the allowance for bad and doubtful debts

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at beginning of the year/period	—	78	2,812	1,220
Provided for the year/period	7,675	14,270	689	385
Reversal for the year/period	—	—	—	(154)
Write-off as uncollectible for the year/period	(7,597)	(11,536)	(2,281)	—
Balance at the end of the year/period	78	2,812	1,220	1,451

Included in the allowance for bad and doubtful debts are individually impaired trade and other receivables with an aggregate balance of RMB78,000, RMB2,812,000, RMB1,220,000 and RMB1,451,000, including bad and doubtful debts of other receivable amounted to nil, RMB248,000, RMB937,000 and RMB1,322,000 as at 31 December 2013, 2014, 2015 and 30 June 2016 which were considered as uncollectable. Yongan Group and Yongan Cement do not hold any collateral over these balances.

21. TRANSFERS OF FINANCIAL ASSETS

As at 31 December 2013 and 30 June 2016, bills receivables with carrying amount of RMB5,954,000 and RMB3,000,000 were transferred to banks by discounting those receivables on a full recourse basis and the carrying amount of the associated liability is RMB5,940,000 and RMB2,947,000. As Yongan Group and Yongan Cement have not transferred the significant risks and rewards relating to these receivables, they continue to recognise the full carrying amount of the receivables and have recognised the cash received on the transfer as a secured borrowing (see note 27). These financial assets are carried at amortised cost in Yongan Group's and Yongan Cement's statements of financial position. There was no bills receivables transferred to banks as at 31 December 2014 and 2015.

22. AMOUNTS DUE FROM RELATED PARTIES

Yongan Group

					As at
		As at 31 December			**30 June**
	Notes	**2013**	**2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		Yongan Group			**Yongan Cement**
Trade in nature					
Henan Hongqi Coal Company Limited ("Hongqi Coal") and its subsidiaries (河南紅旗煤業股份有限公司及其子公司)	i	5,338	—	—	—
Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司)	ii	—	—	667	336
Tianrui Group Cement Company Limited ("Tianrui Cement") and its subsidiaries (天瑞集團水泥有限公司及其子公司)	ii	—	—	—	14
		5,338	—	667	350
Non-trade in nature					
Hongqi Coal	iii	19,400	4,772	—	—
Total		24,738	4,772	667	350

Yongan Group allows a credit period of 180 days. The following is an aged analysis of amounts due from the related parties which are trade in nature based on the goods delivery date at the end of each reporting period:

				As at
	As at 31 December			**30 June**
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Yongan Group			**Yongan Cement**
0 to 90 days	3,336	—	667	14
90 to 180 days	—	—	—	336
over 1 year	2,002	—	—	—
	5,338	—	667	350

The aged analysis of Yongan Group's amounts due from related parities which are past due but not impaired as at the end of each reporting period is as follows:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Yongan Group			Yongan Cement
over 1 year	2,002	—	—	—
Total	2,002	—	—	—

Included in Yongan Group's amounts due from related parties were debtors with aggregate carrying amount of RMB2,002,000 which are past due as at 31 December 2013 for which Yongan Group has not provided for impairment loss, and there is no amounts due from related parties which is past due as at 31 December 2014, 2015 and 30 June 2016. Yongan Group does not hold any collateral over these balances. No allowance has been provided for those balances as Yongan Group considers that there is no significant change in the credit quality of Hongqi Coal and its subsidiaries from the date credit was initially granted up to the end of the reporting period.

Yongan Cement

	Notes	As at 31 December 2013	2014	2015	As at 30 June 2016
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade in nature					
Henan Hongqi Coal Company Limited ("Hongqi Coal") and its subsidiaries (河南紅旗煤業股份有限公司及其子公司)	i	5,338	—	—	—
Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司)	ii	—	—	667	336
Tianrui Group Cement Company Limited ("Tianrui Cement") and its subsidiaries (天瑞集團水泥有限公司及其子公司)	ii	—	—	—	14
		5,338	—	667	350

Yongan Cement allows a credit period of 180 days. The following is an aged analysis of amounts due from the related parties which are trade in nature based on the invoice date at the end of each reporting period:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 90 days	3,336	—	667	14
90 to 180 days	—	—	—	336
over 1 year	2,002	—	—	—
	5,338	—	667	350

The aged analysis of Yongan Cement's amounts due from related parities which are past due but not impaired as at the end of each reporting period is as follows:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
over 1 year	2,002	—	—	—
Total	2,002	—	—	—

Included in Yongan Cement's amounts due from related parties are debtors with aggregate carrying amount of RMB2,002,000 which are past due as at 31 December 2013 for which Yongan Cement has not provided for impairment loss, and there is no amounts due from related parties which is past due as at 31 December 2014, 2015 and 30 June 2016. Yongan Cement does not hold any collateral over these balances. No allowance has been provided for those balances as Yongan Cement 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.

Note:

i. Hongqi Coal was the shareholder of Yongan Cement before January 2015.

ii. Subsidiary of Tianrui Group.

iii. The amounts are unsecured and no fixed repayment term. In the opinion of the directors of Yongan Cement, the amounts are expected to be recovered within one year, and therefore the amounts are classified as current assets.

23. PLEDGED BANK BALANCES

Yongan Group and Yongan Cement

As at 31 December 2013, pledged bank balances represented deposits pledged to banks for issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB10,000,000.

As at 31 December 2015 and 30 June 2016, pledged bank balances represented deposits pledged to banks for environment restoration of limestone mine amounting to RMB700,000 and RMB712,000 respectively. There was no pledged bank balances as at 31 December 2014.

The pledged bank balances carried market interest rate of 0.35% per annum as at 31 December 2013 and 30 June 2016.

24. CASH AND CASH EQUIVALENTS

Yongan Group and Yongan Cement

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	371	418	489	89
Cash equivalents	—	11,096	43,457	55,267
	371	11,514	43,946	55,356

To use the bank and cash more efficiency, most of Yongan Cement's bank and cash was deposited in the specific bank account of Tianrui Group, named cash pooling system. The deposits, in the above said cash pooling system, can be used by Yongan Cement whenever it need and then were recognised as cash equivalents.

As at 31 December 2014, 2015 and 30 June 2016, the cash and bank balances and deposits in the cash pooling system of Tianrui Group were denominated in RMB, carrying interest at market rates of 0.35% per annum.

25. TRADE AND OTHER PAYABLES

Yongan Group and Yongan Cement

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	73,017	58,755	64,565	53,625
Bills payables	20,000	—	—	—
Construction cost and retention payable	40,839	12,052	17,685	14,197
Advances from customers	21,067	3,657	2,659	5,162
Other tax payables	9,936	3,062	3,384	2,927
Accrued welfare fund and payroll payable	4,891	5,497	3,919	5,328
Amount due to Tianrui Group *(note)*	—	200,000	—	—
Other payables and accrued expenses	7,564	8,486	9,255	7,473
	177,314	291,509	101,467	88,712

Note: The amounts are secured with the shares of Yongan Cement and the refusal right to acquire Yongan, interest-free and repayable on demand.

Trade payables are non-interest bearing and are normally granted 180 days credit term. The aged analysis of Yongan Group's and Yongan Cement's trade and bills payable from the goods receipt date as at the end of each Relevant Periods is as follows:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	64,617	40,573	48,465	9,917
91–180 days	5,396	2,314	9,193	8,852
181–365 days	23,004	15,868	4,196	29,078
Over 1 year	—	—	2,711	5,778
Total	93,017	58,755	64,565	53,625

26. AMOUNTS DUE TO RELATED PARTIES

Yongan Group

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Yongan Group			Yongan Cement
Trade in nature				
Tianrui Cement and its subsidiaries	—	—	—	6,691
Hongqi Coal and its subsidiaries	48,032	—	—	—
	48,032	—	—	6,691
Non-trade in nature				
Hongqi Coal — borrowing with fixed interest rate *(note)*	571,432	345,100	—	—
Hongqi Coal — borrowing with no interest	120,896	8,296	—	—
	692,328	353,396	—	—
Total	740,360	353,396	—	6,691

The average credit period on purchase of goods is 180 days. The following is an aged analysis of amounts due to related parties which are trade in nature based on the goods delivery date at the end of each reporting period:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 90 days	48,032	—	—	6,691

Yongan Cement

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade in nature				
Tianrui Cement and its subsidiaries	—	—	—	6,691
Hongqi Coal and its subsidiaries	48,032	—	—	—
	48,032	—	—	6,691
Non-trade in nature				
Hongqi Coal — borrowing with fixed interest rate *(note)*	571,432	345,100	—	—
Hongqi Coal — borrowing with no interest	120,896	3,296	—	—
	692,328	348,396	—	—
Total	740,360	348,396	—	6,691

The average credit period on purchase of goods is 180 days. The following is an aged analysis of amounts due to related parties which are trade in nature based on the invoice date at the end of each reporting period:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 90 days	48,032	—	—	6,691

Note:

As at 31 December 2013 and 2014, the principal amounts of the company loans, bearing with fixed interest rate from 6.00% to 9.00% per annum, were RMB545,533,000 and RMB345,100,000 respectively, which were unsecured and repayable on demand. The amount of interest expense incurred not paid were RMB25,899,000 and nil respectively, included in the borrowing with fixed interest rate.

27. BORROWINGS

Yongan Group and Yongan Cement

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings within one year				
— variable-rate and unsecured *(note)*	—	50,000	—	—
— fixed-rate and unsecured	—	—	—	5,000
Bank borrowing relating to bills discounted with recourse *(Note 20)*	5,940	—	—	2,947
	5,940	50,000	—	7,947

Note:

As at 31 December 2014, the unsecured variable-rate bank borrowings carried interests ranging from 6.00% to 7.50% per annum, which is determined based on 125% of the Benchmark Interest Rate announced by the People's Bank of China.

28. PROVISION

Yongan Group and Yongan Cement

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provision for lawsuit	1,183	—	—	—

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at the beginning of the year/period	—	1,183	—	—
Provisions recognised during the year/period	1,183	—	—	—
Cash payment during the year/period	—	(1,183)	—	—
Balance at the end of the year/period	1,183	—	—	—

On 23 October 2013, a supplier of Yongan Cement brought a lawsuit to the court, requesting Yongan Cement for the outstanding construction payables of RMB21,738,000 and related compensation for late payment of construction cost.

After considering all facts and circumstances of the lawsuit, the directors of Yongan Cement estimated that Yongan Cement's probable cash out flow in respect of the above-mentioned lawsuit, mainly compensation for the supplier, to be approximately RMB1,183,000. Accordingly, a provision of RMB1,183,000 has been recognised in profit or loss during the year ended 31 December 2013. During the year 2014, the Yongan Cement paid RMB1,183,000 for the lawsuit as compensation.

29. PAID-IN CAPITAL

	RMB'000
At 1 January 2013, 31 December 2013 and 2014	50,000
Additions	522,600
At 31 December 2015 and 30 June 2016	572,600

The investors' capital contributions payable paid by the end of year/period in accordance with Yongan Cement's articles are as follows:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hongqi Coal	45,000	45,000	—	—
Pingan Transport	5,000	5,000	—	—
Tianrui Group	—	—	572,600	572,600
	50,000	50,000	572,600	572,600

30. PERPETUAL CAPITAL INSTRUMENTS

During the years ended 31 December 2014 and 2015, Yongan Cement issued perpetual capital instruments to Tianrui Group with the aggregate proceeds of RMB323,000,000 and RMB77,960,000 respectively at an issue price of 100% of the principal amount.

The perpetual capital instruments were issued for general corporate funding purposes and were unsecured. The perpetual capital instruments confer the holders a right to receive distribution at the distribution rate of 2.5% on principal amount annually in arrears from the first profit making year. The perpetual capital instruments have no fixed maturity and are redeemable at Yongan Cement's option at par value. If Tianrui Group ceases to be the controlling shareholder of Yongan Cement, the perpetual capital instrument will be assigned to the new controlling shareholder and Yongan Cement will not have any obligation to repay.

Yongan Cement may, at its sole discretion, elect to defer any distribution, and the deferred distribution will not incur any interest expense. While any distributions are unpaid or deferred, Yongan Cement cannot declare or, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the registered capital of the Yongan Cement.

No distribution has been provided and paid by Yongan Cement during the Relevant Periods as Yongan Cement had not made any profit during Relevant Periods.

31. OPERATING LEASE COMMITMENTS

Yongan Group and Yongan Cement as lessee

The rental payment paid/payable for the relevant period ended 31 December 2013, 2014 and 2015 amounted to RMB650,000, and for the relevant period ended 30 June 2015 and 30 June 2016 amounted to RMB325,000 respectively are paid for certain of its office properties.

As at 31 December 2013, 2014, 2015 and 30 June 2016, Yongan Group and Yongan Cement had commitments for future minimum lease payments in respect of rented land and office properties which fall due as follows:

	For the year ended 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Yongan Group			**Yongan Cement**
Within one year	650	650	650	650
In the second to fifth year inclusive	2,600	2,600	2,600	2,600
Over fifth year inclusive	8,450	7,800	7,150	6,825
	11,700	11,050	10,400	10,075

Operating lease payments represent rentals payable by Yongan Group and Yongan Cement for certain of its office properties.

32. CAPITAL COMMITMENTS

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Yongan Group			Yongan Cement
Capital expenditure of Yongan Group and Yongan Cement in respect of acquisition property, plant and equipment				
— contracted for but not provided in the financial statements	878	5,257	131	410
	878	5,257	131	410

33. RETIREMENT BENEFIT SCHEMES

The PRC employees of Yongan Group and Yongan Cement are members of state-managed retirement benefit schemes operated by the local governments. Yongan Group and Yongan Cement are required to contribute a specified percentage of their payroll costs to the retirement benefit schemes to fund the benefits. The retirement benefit cost charged to profit or loss for each of the years ended 31 December 2013, 2014, 2015 and each period of the six months ended 30 June 2015 and 2016, amounted to RMB1,476,000, RMB1,576,000, RMB1,264,000, RMB632,000 and RMB474,000 respectively.

34. RELATED PARTY DISCLOSURES

Yongan Group and Yongan Cement

(a) Apart from the amounts due from/to a subsidiary and related parties as disclosed in Notes 14, 22 and 26, during the year/period, Yongan Group and Yongan Cement had the following significant transactions with the related parties.

Nature of transaction	Name of related company	For the year ended 31 December 2013	2014	2015	For the six months ended 30 June 2015	2016
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Purchase of goods	Hongqi Coal and its subsidiaries	20,265	—	—	—	—
	Tianrui Cement and its subsidiaries	—	—	—	—	15,039
	Tianrui Group Foundry Company Limited	—	—	—	—	489
	Ruzhou Tianrui Material Company Limited *(note i)*	—	—	—	—	1,870
Sales of goods	Hongqi Coal and its subsidiaries *(note ii)*	2,851	148	207	—	—
	Tianrui Group Foundry Company Limited	—	—	673	—	—
	Tianrui Cement and its subsidiaries	—	—	—	—	14
Interest expense	Hongqi Coal	29,744	17,310	—	—	—

Note:

i. Ruzhou Tianrui Material Company is a subsidiary of Tianrui Group.

ii Yongan Cement was acquired by Tianrui Group on 29 January 2015, and the amounts involved the related party transaction from 1 January 2015 to the acquisition date.

(b) Remuneration to key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Yongan Group and Yongan Cement, directly and indirectly including directors of Yongan Cement. The key management personnel compensations are as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Short-term benefits	444	385	406	222	460
Retirement benefits	32	36	38	10	31
Performance related bonuses	300	100	—	—	—
	776	521	444	232	491

(c) Perpetual capital instruments

During the year ended 31 December 2014 and 2015, Yongan Cement issued perpetual capital instruments to Tianrui Group with the aggregate net proceeds of RMB323,000,000 and RMB77,960,000 respectively. Details are set out in Note 30.

(d) Financial guarantee

As at 31 December 2013, 2014 and 2015, the financial guarantee given to banks in respect of bank facilities utilised by Hongqi Coal amounted to RMB70,000,000, RMB70,000,000 and RMB50,000,000 respectively. With the repayment of the above loans by Hongqi Coal, the financial guarantee was released during the period ended 30 June 2016.

(e) Disposal of the subsidiary

On 12 February 2015, Yongan Cement disposed its subsidiary to Hongqi Coal's one subsidiary. The disposal amount was RMB5,000,000 and was net off with the payables of Yongan Cement to Hongqi Coal and no cash received for this transaction.

35. CAPITAL RISK MANAGEMENT

The management manages its capital to ensure Yongan Group and Yongan Cement will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. Yongan Group's and Yongan Cement's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of Yongan Group and Yongan Cement consist of debt, which includes the borrowings (details refer to Note 27), borrowings from related parties included in amount due to related parties (details refer to Note 26), and equity attributable to owners of Yongan Group and Yongan Cement, comprising paid-in capital and perpetual capital instruments.

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

36. FINANCIAL INSTRUMENTS

Yongan Group

Categories of financial instruments

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Yongan Group			Yongan Cement
Financial assets				
Loans and receivables	55,319	21,185	45,958	60,051
Financial liabilities				
Amortized cost	892,611	688,186	95,424	95,261

Yongan Cement

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables	50,319	16,413	45,958	60,051
Financial liabilities				
Amortized cost	892,611	688,414	95,424	95,261

Financial risk management objectives and policies

Yongan Group's and Yongan Cement's major financial assets and liabilities include trade and other receivables, pledged bank balances, cash and cash equivalents, trade and other payables, amounts due to related parties and amounts due from related parties and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

Yongan Cement is exposed to fair value interest rate risk in relation to fixed-rate borrowings (see Notes 27 for details).

Yongan Group and Yongan Cement are exposed to cash flow interest rate risk in relation to pledged bank balances, cash and cash equivalents and borrowings (see Notes 23, 24 and 25 for details).

Yongan Group and Yongan Cement closely monitor the interest rate trend and aims to lower the effective interest rate.

Yongan Group's and Yongan Cement's cash flow interest rate risks are mainly concentrated on the fluctuation of Benchmark Interest Rate announced by the People's Bank of China.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate borrowings at the end of each Relevant Periods. No sensitivity analysis has been presented for bank balances as the directors of Yongan Cement consider that the fluctuation in interest rates on bank balances is minimal. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of each Relevant Periods was outstanding for the whole year. A 25 basis points increase or decrease in Benchmark Interest Rate, as appropriate, represents management's assessment of the reasonably possible change in interest rates. As at 31 December 2014, Yongan Group and Yongan Cement had variable-rate borrowings amounting to RMB50,000,000.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, Yongan Group's loss and Yongan Cement's loss would increase/decrease by approximately RMB94,000 for the year ended 31 December 2014.

Credit risk

As at 31 December 2013, 2014, 2015 and 30 June 2016, Yongan Group's and Yongan Cement's maximum exposure to credit risk which will cause a financial loss to Yongan Group and Yongan Cement due to failure to discharge an obligation by the counterparties and financial guarantees provided by Yongan Group and Yongan Cement are arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by Yongan Cement as disclosed in Note 37.

In order to minimise the credit risk arising from the respective recognised financial assets as stated in the statement of financial position, Yongan Group and Yongan Cement review the recoverable amount of each individual trade debt at the end of the Relevant Periods to ensure that adequate impairment losses are made for irrecoverable amounts.

In order to minimize the credit risk arising from the contingent liabilities in relation to financial guarantee issued by Yongan Group and Yongan Cement, the management of Yongan Group and Yongan Cement review and approve the guarantee to be issued and also monitors the financial position of the guarantee on an ongoing basis. In this regard, the directors of Yongan Cement consider that Yongan Group's and Yongan Cement's credit risks are significantly reduced.

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

The credit risk on amount due from related parties is limited because Yongan Group and Yongan Cement monitor the exposure to credit risk on an ongoing basis and credit evaluation is performed.

Other than the above, Yongan Group and Yongan Cement have no other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, Yongan Group and Yongan Cement monitor and maintain a level of cash and cash equivalents adequate by the management to finance Yongan Group's and Yongan Cement's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings.

Yongan Group and Yongan Cement have net current liabilities as at 31 December 2013, 2014, 2015 and 30 June 2016, which exposed Yongan Group and Yongan Cement to liquidity risk. In order to mitigate the liquidity risk, the directors of Yongan Cement regularly monitors the operating cash flows of Yongan Group and Yongan Cement to meet its liquidity requirement in the short and long term. The directors of Yongan Cement are of the view that Yongan Group and Yongan Cement are able to receive shareholder's financial supporting. The controlling shareholders negotiate with different financial institutes and then allocate bank facilities obtained to Yongan Group and Yongan Cement as needed.

The directors of Yongan Cement believe that Yongan Group and Yongan Cement will have sufficient funding available to meet its financial obligations in the foreseeable future based on management's working capital forecast.

The following table details Yongan Group's and Yongan Cement's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Yongan Group and Yongan Cement can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are variable-rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Yongan Group

	Weighted average interest rate	On demand or 0–30 days	31 to 180 days	181 to 365 days	1–2 years	2–3 years	Over 3 years	Total undiscounted cash flows	Carrying amounts
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2013									
Trade and other payables	—	69,631	76,680	—	—	—	—	146,311	146,311
Amount due to related parties	6.80	740,360	17,309	—	—	—	—	757,669	740,360
Borrowings									
— fixed-rate	0.24	—	5,940	—	—	—	—	5,940	5,940
		809,991	99,929	—	—	—	—	909,920	892,611
Financial guarantee liabilities		70,000	—	—	—	—	—	70,000	70,000
As at 31 December 2014									
Trade and other payables	—	23,127	61,663	200,000	—	—	—	284,790	284,790
Amount due to related parties	5.02	353,396	—	—	—	—	353,396	353,396	—
Borrowings									
— variable-rate	7.50	50,313	—	—	—	—	—	50,313	50,000
		426,836	61,663	200,000	—	—	—	688,499	688,186
Financial guarantee liabilities		170,000	—	—	—	—	—	170,000	170,000
As at 31 December 2015									
Trade and other payables	—	21,066	74,358	—	—	—	—	95,424	95,424
		21,066	74,358	—	—	—	—	95,424	95,424
Financial guarantee liabilities		80,000	—	—	—	—	—	80,000	80,000
As at 30 June 2016									
Trade and other payables	—	44,125	36,498	—	—	—	—	80,623	80,623
Amount due to related parties	—	6,691	—	—	—	—	—	6,691	6,691
Borrowings									
— fixed-rate	14.40	944	2,363	5,240	—	—	—	8,547	7,947
		51,760	38,861	5,240	—	—	—	95,861	95,261

Yongan Cement

	Weighted average interest rate	On demand or 0–30 days	31 to 180 days	181 to 365 days	1–2 years	2–3 years	Over 3 years	Total undiscounted cash flows	Carrying amounts
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2013									
Trade and other payables	—	69,631	76,680	—	—	—	—	146,311	146,311
Amount due to related parties	6.80	740,360	17,309	—	—	—	—	757,669	740,360
Borrowings									
— fixed-rate	0.24	—	5,940	—	—	—	—	5,940	5,940
		809,991	99,929	—	—	—	—	909,920	892,611
Financial guarantee liabilities		70,000	—	—	—	—	—	70,000	70,000
As at 31 December 2014									
Trade and other payables	—	23,127	61,663	200,000	—	—	—	284,790	284,790
Amount due to a subsidiary	—	5,228		—	—	—	—	5,228	5,228
Amount due to related parties	5.02	348,396		—	—	—	—	348,396	348,396
Borrowings									
— variable-rate	7.50	50,313	—	—	—	—	—	50,313	50,000
		427,064	61,663	200,000	—	—	—	688,727	688,414
Financial guarantee liabilities		170,000	—	—	—	—	—	170,000	170,000
As at 31 December 2015									
Trade and other payables	—	21,066	74,358	—	—	—	—	95,424	95,424
		21,066	74,358	—	—	—	—	95,424	95,424
Financial guarantee liabilities		80,000	—	—	—	—	—	80,000	80,000
As at 30 June 2016									
Trade and other payables	—	44,125	36,498	—	—	—	—	80,623	80,623
Amount due to related parties	—	6,691	—	—	—	—	—	6,691	6,691
Borrowings									
— fixed-rate	14.40	944	2,363	5,240	—	—	—	8,547	7,947
		51,760	38,861	5,240	—	—	—	95,861	95,261

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

Fair value of financial instruments

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

37. CONTINGENT LIABILITIES

Yongan Group and Yongan Cement

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in respect of banking facilities granted to:				
Related parties	70,000	70,000	50,000	—
The third party	—	100,000	30,000	—
	70,000	170,000	80,000	—

As at 31 December 2013, 2014 and 2015, the financial guarantee given to banks in respect of bank facilities utilised by Hongqi Coal (河南紅旗煤業有限公司) amounted to RMB70,000,000, RMB70,000,000 and RMB50,000,000 respectively. The maximum liabilities that may be incurred by Yongan Group and Yongan Cement under the guarantee contracts are RMB70,000,000, RMB70,000,000, RMB120,000,000 and RMB50,000,000 during the year/period ended 31 December 2013, 2014, 2015 and 30 June 2016 respectively.

As at 31 December 2014 and 2015, the financial guarantee given to banks in respect of bank facilities utilised by Henan Dayugou Coal Group Company Limited (河南大峪溝煤業集團有限責任公司), a state-owned third party, amounted to RMB100,000,000 and RMB30,000,000 respectively. The maximum liabilities that may be incurred under the guarantee contracts are RMB100,000,000, RMB130,000,000 and RMB30,000,000 during the year/period ended 31 December 2014, 2015 and 30 June 2016 respectively.

Following the repayment of the above loans, the financial guarantee was released during the period ended 30 June 2016.

38. MAJOR NON-CASH TRANSACTIONS

(a) In January 2015, payables amount about RMB322,609,000 to Hongqi Coal was transferred to paid in capital with the approval of administrative regulator, of which RMB322,600,000 was recorded in paid in capital, and RMB9,000 was recorded in capital reserve.

(b) During the year 2014, Tianrui Group injected a cash amount of RMB200,000,000 into Yongan Cement, which completed the related procedures for paid in capital in December 2015.

39. SUBSEQUENT EVENTS

There are no significant events after the Relevant Periods.

C. INDEBTEDNESS STATEMENT

As at the close of business of 30 September 2016, being the latest practicable date for the purpose of this statement of indebtedness of approximately other borrowings of RMB5 million which are unsecured and guaranteed.

Other than as disclosed above, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the Yongan Cement, which has no subsidiary, the Yongan Cement did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, bank loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, mortgage, charges, guarantees or other material contingent liabilities as at the close of business on 30 September 2016.

D. MATERIAL CHANGE

Yongan Cement suspended the production of clinker in February 2016 as a result of the environmental protection inspection conducted by the government. Yongan Cement has obtained the permission for industrial waste sewage and emission in August 2016 for a validity period expiring in August 2019 and the production of clinker has since September 2016 resumed normal operation.

As at the Latest Practicable Date, save as disclosed above, the Directors confirm that there is no material change in the financial or trading position or outlook of Yongan Cement subsequent to 30 June 2016, the date to which the latest audited financial statements of Yongan Cement were made up.

E. FINANCIAL AND TRADING PROSPECTS

Similar to what the Group experienced in Henan market, in the first six months of 2016 Yongan Cement's sales prices continued the down trend as shown in the second half of 2015. It reached the bottom in February 2016 and turned around afterwards. Since July 2016, the sale prices of cement in Henan region have improved from the market low and increased following the reform policies progressed by the PRC government. For further details, please refer to the section headed "Non-competition deed and reasons for acquisition" in this circular.

F. LITIGATION

As at the Latest Practicable Date, Yongan Cement was not engaged in any litigation, arbitration or claim of material importance and so far as the Directors were aware, no litigation, arbitration or claim of material importance was pending or threatened by or against Yongan Cement or to which Yongan Cement was, or might become, a party.

(2) XINDENG CEMENT

A. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the audited financial information of Xindeng Cement for the years ended 31 December 2013, 2014 and 2015; and six months period ended 30 June 2016 as extracted from the auditors' report of Xindeng Cement for the years ended 31 December 2013, 2014 and 2015; and six months period ended 30 June 2016, which were audited by Deloitte Touche Tohmatsu. There were no exceptional items, whether because of size, nature or incidence, in the financial statements of Xindeng Cement for the six months ended 30 June 2016 and each of the three years ended 31 December 2015. The audit opinions in respect of the above periods were not qualified and there were no modified opinions.

RESULTS

	For the six months ended 30 June	For the year ended 31 December		
	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)
Revenue	161,672	269,147	351,735	359,151
Cost of sales	(134,862)	(238,843)	(300,631)	(327,819)
Gross profit	26,810	30,304	51,104	31,332
Other income	6,529	36,546	16,771	26,443
Other gains and losses	30	90	(544)	(1,280)
Other expenses	(101)	(2,437)	(823)	(200)
Distribution and selling expenses	(1,740)	(4,714)	(4,425)	(6,410)
Administrative expenses	(12,281)	(28,532)	(28,707)	(30,451)
Finance costs	—	(1,521)	(2,894)	(3,116)
Profit before tax	19,247	29,736	30,482	16,318
Income tax expense	(4,867)	(8,206)	(7,860)	(4,210)
Profit and total comprehensive income for the period/year attributable to shareholders of the Company	14,380	21,530	22,622	12,108
Earnings per share				
Basic	N/A	N/A	N/A	N/A
Dividend	N/A	N/A	N/A	N/A

ASSETS AND LIABILITIES

	As at 30 June 2016 *RMB'000* (audited)	As at 31 December 2015 *RMB'000* (audited)	As at 31 December 2014 *RMB'000* (audited)	As at 31 December 2013 *RMB'000* (audited)
Non-Current Assets	432,303	427,123	415,232	434,507
Current Assets	143,626	161,698	117,171	147,431
Current Liabilities	71,058	98,736	130,678	165,394
Net Current (Liabilities) Assets	72,568	62,962	(13,507)	(17,963)
Total Assets Less Current Liabilities	504,871	490,085	401,725	416,544
Equity attributable to owners of the Company	498,453	484,073	396,815	412,898
Total Equity	498,453	484,073	396,815	412,898
Non-Current Liabilities	6,418	6,012	4,910	3,646

B. AUDITED ANNUAL FINANCIAL STATEMENTS

The following is an extract of audited financial statements prepared under IFRS of Xindeng Cement for the years ended 31 December 2013, 2014 and 2015; and six months period ended 30 June 2016 together with the notes thereto from the auditors' report of Xindeng Cement for the years ended 31 December 2013, 2014 and 2015; and six months period ended 30 June 2016.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December			For the six months ended 30 June	
	Notes	2013	2014	2015	2015	2016
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	6	359,151	351,735	269,147	124,257	161,672
Cost of sales		(327,819)	(300,631)	(238,843)	(110,269)	(134,862)
Gross profit		31,332	51,104	30,304	13,988	26,810
Other income	7	26,443	16,771	36,546	14,201	6,529
Other expenses	8	(200)	(823)	(2,437)	(2,260)	(101)
Other gains and losses	9	(1,280)	(544)	90	66	30
Distribution and selling expenses		(6,410)	(4,425)	(4,714)	(1,948)	(1,740)
Administrative expenses		(30,451)	(28,707)	(28,532)	(13,919)	(12,281)
Finance costs	10	(3,116)	(2,894)	(1,521)	(1,129)	—
Profit before taxation		16,318	30,482	29,736	8,999	19,247
Income tax expense	11	(4,210)	(7,860)	(8,206)	(2,392)	(4,867)
Profit and total comprehensive income for the year/period	12	12,108	22,622	21,530	6,607	14,380

See accompanying notes to the financial statements.

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2013 *RMB'000*	2014 *RMB'000*	2015 *RMB'000*	As at 30 June 2016 *RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	15	368,461	344,361	333,011	361,945
Deposits paid	16	3,864	2,474	26,528	3,180
Prepaid lease payments	17	52,637	59,023	57,679	57,007
Mining rights	18	7,330	7,051	6,772	6,633
Pledged bank balances	22	2,215	2,323	3,133	3,538
		434,507	415,232	427,123	432,303
CURRENT ASSETS					
Inventories	19	28,646	26,362	27,059	21,537
Trade and other receivables	20	95,423	80,914	33,524	48,402
Amounts due from related parties	21	163	4,000	—	—
Cash and cash equivalents	23	23,199	5,895	101,115	73,687
		147,431	117,171	161,698	143,626
CURRENT LIABILITIES					
Trade and other payables	24	70,728	101,479	79,955	70,831
Dividends payable		—	29,000	17,717	17
Amounts due to related parties	25	75,836	64	83	83
Borrowings — due within one year	26	18,000	—	—	—
Tax liabilities		830	135	981	127
		165,394	130,678	98,736	71,058
NET CURRENT (LIABILITIES) ASSETS		(17,963)	(13,507)	62,962	72,568
TOTAL ASSETS LESS CURRENT LIABILITIES		416,544	401,725	490,085	504,871
CAPITAL AND RESERVES					
Paid-in capital	28	260,000	260,000	294,668	294,668
Reserves		152,898	136,815	189,405	203,785
TOTAL EQUITY		412,898	396,815	484,073	498,453
NON-CURRENT LIABILITIES					
Deferred tax liabilities	27	3,646	4,910	6,012	6,418
		416,544	401,725	490,085	504,871

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

	Paid-in Capital *RMB'000*	Capital reserve *RMB'000* *(note i)*	Statutory reserve fund *RMB'000* *(note ii)*	Retained earnings *RMB'000*	Total *RMB'000*
Balance at 1 January 2013	260,000	94,000	19,500	74,187	447,687
Profit and total comprehensive income for the year	—	—	—	12,108	12,108
Appropriation of statutory surplus reserve	—	—	1,211	(1,211)	—
Dividends recognised as distributions during the year	—	—	—	(46,897)	(46,897)
Balance at 31 December 2013	260,000	94,000	20,711	38,187	412,898
Profit and total comprehensive income for the year	—	—	—	22,622	22,622
Appropriation of statutory surplus reserve	—	—	2,262	(2,262)	—
Dividends recognised asdistributions during the year	—	—	—	(38,705)	(38,705)
Balance at 31 December 2014	260,000	94,000	22,973	19,842	396,815
Profit and total comprehensive income for the year	—	—	—	21,530	21,530
Appropriation of statutory surplus reserve	—	—	2,241	(2,241)	—
Dividends recognised as distributions during the year	—	—	—	(17,717)	(17,717)
Capital injection by controlling shareholder	34,668	48,777	—	—	83,445
Balance at 31 December 2015	294,668	142,777	25,214	21,414	484,073
Profit and total comprehensive income for the period	—	—	—	14,380	14,380
Balance at 30 June 2016	294,668	142,777	25,214	35,794	498,453
(Unaudited)					
Balance at 1 January 2015	260,000	94,000	22,973	19,842	396,815
Profit and total comprehensive income for the period	—	—	—	6,607	6,607
Balance at 30 June 2015	260,000	94,000	22,973	26,449	403,422

Note:

i Capital reserve represents the excess of capital injection over the registered capital of Xindeng Cement. SDIC Xindeng Zhengzhou Coal Co., Ltd. ("SDIC Xindeng Coal"), a subsidiary of SDIC group, injected of RMB215,000,000 to Xindeng Cement, of which capital injection amounted to RMB121,000,000 and capital reserve amounted to RMB94,000,000 on 21 July 2010 (Note 1).

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

See accompanying notes to the financial statements

STATEMENTS OF CASH FLOWS

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'0*
Operating activities:					
Profit before tax for the year/period	16,318	30,482	29,736	8,999	19,247
Adjustments for:					
Interest income recognized in profit or loss	(253)	(121)	(398)	(40)	(396)
Depreciation of property, plant and equipment	28,002	27,511	27,386	12,684	13,503
Finance costs recognised in profit or loss	3,116	2,894	1,521	1,129	—
Amortisation of prepaid lease payments	1,187	1,203	1,344	672	672
Amortisation of mining rights	248	279	279	139	139
Allowances for bad and doubtful debts	1,248	—	—	—	—
Loss (gain) on disposal of property, plant and equipment	44	550	(62)	(62)	—
Operating cash flows before movements in working capital	49,910	62,798	59,806	23,521	33,165
Decrease (increase) in inventories	5,356	2,284	(697)	199	5,522
(Increase) decrease in trade and other receivables	(86,828)	14,650	38,390	4,215	(14,878)
(Increase) decrease in amounts due from related parties	(78)	163	—	—	—
Increase (decrease) in amounts due to related parties	34,266	(45,791)	—	—	—
Increase (decrease) in trade and other payables	7,821	(7,016)	16,109	(6,121)	(7,668)
Cash generated from operations	10,447	27,088	113,608	21,814	16,141
Income tax paid	(4,642)	(7,291)	(6,258)	(1,852)	(5,315)
Net cash from operating activities	5,805	19,797	107,350	19,962	10,826
Investing activities:					
Interest received	253	121	398	40	396
Purchase of property, plant and equipment	(1,701)	(4,830)	(37,733)	(874)	(20,545)
Acquisition of mining rights	(1,998)	—	—	—	—
Acquisition of land use right	(2,236)	(7,730)	—	—	—
Proceeds from disposal of property, plant and equipment	—	26	72	72	—
Placement of pledged bank balances	(7)	(108)	(810)	(804)	(405)
Advance to related parties	—	(4,000)	—	—	—
Repayment from related parties	—	—	4,000	4,000	—
Net cash (used in) from investing activities	(5,689)	(16,521)	(34,073)	2,434	(20,554)

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'0*
Financing activities					
Interest paid	(3,121)	(2,875)	(1,502)	(64)	—
Capital injection from controlling shareholders	—	—	83,445	—	—
Repayment of borrowings	(70,000)	(48,000)	(77,000)	(40,000)	—
New borrowings raised	48,000	40,000	37,000	37,000	—
Dividends paid to shareholders of Xindeng Cement	—	(9,705)	(20,000)	(20,000)	(17,700)
Net cash (used in) from financing activities	(25,121)	(20,580)	21,943	(23,064)	(17,700)
Net (decrease) increase in cash and cash equivalents	(25,005)	(17,304)	95,220	(668)	(27,428)
Cash and cash equivalents at the beginning of year/period	48,204	23,199	5,895	5,895	101,115
Cash and cash equivalents at the end of the year/period represented by cash and bank balances	23,199	5,895	101,115	5,227	73,687
Analysis of cash and cash equivalents					
Cash and bank balances	16,676	5,895	101,115	5,227	73,687
Cash equivalents *(note 23)*	6,523	—	—	—	—
Total cash and cash equivalents	23,199	5,895	101,115	5,227	73,687

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Tianrui Xindeng Zhengzhou Cement Company Limited ("Xindeng Cement") is a company established in the PRC with limited liability under the Companies Law of PRC in March 2008. The registered office and principle place of business of Xindeng Cement is located at Qingshigou Village in Dengfeng City, Henan Province, the PRC.

The original shareholder of Xindeng Cement was Zhengzhou Xindeng Group Company Limited ("Xindeng Group"), which is a state-owned company, and the original paid-in capital was amounting to RMB30,000,000. In August 2008, the shareholder changed to SDIC Xindeng Coal according to the equity reorganisation agreement with SDIC Xindeng Cement. In July 2009, the paid-in capital increased to RMB139,000,000. In July 2010, with the investment of RMB215,000,000 from SDIC Xindeng Coal, the paid-in capital increased to RMB260,000,000, and capital reserve increased to RMB94,000,000.

In July 2010, with the division of SDIC Xindeng Coal, the equity interests of Xindeng Cement had been transferred to the division company of SDIC Xindeng Building Material Company ("SDIC Xindeng Building Material"). In November 2010, SDIC Xindeng Building Material decided to dissolve and carried out liquidation per the temporary general meeting of shareholder. SDIC Coal Co., Ltd. and Xindeng Group had obtained the equity interests of Xindeng Cement with percentages of 51% and 49% respectively.

The shareholders of SDIC Coal Co., Ltd. had transferred 51% equity interests to SDIC Coal Investment (Beijing) Company Limited ("SDIC Coal Beijing") in 2013. On 4 April 2014, SDIC Coal Beijing transferred 51% equity interests of Xindeng Cement to Xindeng Group. Before July 2015, Xindeng Cement's immediate and ultimate parent company was Xindeng Group.

In July 2015, Tianrui Group Company Limited ("Tianrui Group"), a company established in PRC with limited liability, acquired 49% equity interests of Xindeng Cement and acquired additional 6% equity interests in January 2016 according to the public auction of state-owned assets. Since January 2016, Xindeng Cement's immediate and ultimate parent company is Tianrui Group, which is wholly-owned by Li Liufa and his spouse.

Xindeng Cement is engaged in manufacture and sale of cement and clinker. Since 22 December 2015, the immediate and ultimate holding company of Xindeng Cement is Tianrui Group, which is controlled by Mr. Li Liufa and his spouse.

The financial statements is presented in Renminbi ("RMB"), which is also the functional currency of Xindeng Cement.

2. BASIS OF PREPARATION

As at 31 December 2014, Xindeng Cement's current liabilities exceeded its current assets by RMB13,507,000.

Based on Xindeng Cement's forecasts and projections of business performance, taking account of operating as well as capital expenditure and availability of financial supporting from Tianrui Group, the directors of Xindeng Cement of Xindeng Cement are of the view that Xindeng Cement will have sufficient financial resources to continue as a going concern.

3. APPLICATION OF IFRSS

For the purpose of preparing and presenting the financial statements for the Relevant Periods, Xindeng Cement has adopted all the IFRSs which are effective for Xindeng Cement's financial periods beginning on 1 January 2016 consistently throughout the Relevant Periods.

At the date of this report, the following new and amendments to IFRSs have been issued which are not yet effective. Xindeng Cement has not early adopted these IFRSs.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014–2016 Cycle[5]

1 Effective for annual Periods beginning on or after 1 January 2018.
2 Effective for annual Periods beginning on or after 1 January 2019.
3 Effective for annual Periods beginning on or after a date to be determined.
4 Effective for annual Periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Except as described below, the directors of Xindeng Cement anticipate that the application of the new and amendments to IFRSs will have no material impact on the financial statements.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 which are relevant to Xindeng Cement are described below:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Except for the potential early recognition of credit losses based on the expected loss model in relation to Xindeng Cement's financial assets measured at amortised costs, the directors of Xindeng Cement anticipate that the adoption of IFRS 9 in the future may not have other significant impact on amounts reported in respect of Xindeng Cement's financial assets and financial liabilities based on an analysis of Xindeng Cement's financial instruments as at 30 June 2016.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements has been prepared in accordance with IFRSs. In addition, the financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Hong Kong Companies Ordinance ("CO").

The financial statements has been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

Basis of preparation

The financial statements has been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Revenue recognition

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

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

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

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

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss, if any. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mining rights

Mining rights acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of mining rights with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Leasing

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

Xindeng Cement as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the relevant lease term.

Leasehold land and building

When a lease includes both land and building elements, Xindeng Cement assesses the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to Xindeng Cement. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the statements of financial position and is amortised over the lease term on a straight-line basis.

Borrowing costs

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

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

Government grants

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

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

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

Retirement benefits costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contribution.

Short-term employee benefit

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Xindeng Cement's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Xindeng Cement expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year/period

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Xindeng Cement's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties, pledged bank balances and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any impairment.

Impairment of loans and receivables

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

Objective evidence of impairment could include:

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

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

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

Derecognition of financial assets

Xindeng Cement derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If Xindeng Cement retains substantially all the risks and rewards of ownership of a transferred asset, Xindeng Cement continues to recognise the financial assets and recognise a collateralised borrowing for proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of Xindeng Cement after deducting all its liabilities. Equity instruments issued by Xindeng Cement are recognised at the proceeds received, net of direct issue costs.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Xindeng Cement's financial liabilities including trade and other payables, amounts due to related parties, dividends payable, borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

Xindeng Cement derecognises financial liabilities when, and only when, Xindeng Cement's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment of tangible and intangible assets

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

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Key sources of estimation uncertainty

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

Estimated useful lives and impairment of property, plant and equipment

The directors of Xindeng Cement estimate the useful lives, residual values and the depreciation method in determining the related depreciation charges for property, plant and equipment. This estimate is based on the experience of Xindeng Cement on the actual useful lives of property, plant and equipment of similar nature and functions. The directors of Xindeng Cement will increase the depreciation charge where useful lives are estimated to be shorter than original expected or will write off or write down the carrying value of the items which are technically obsolete or non-strategic assets that have been abandoned. Actual economic useful lives may differ from estimated economic useful lives. Periodic review could result in a change in depreciation period and therefore depreciation charge in the future periods.

In addition, the directors of Xindeng Cement assess impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. When the recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognised in the period in which such event takes place. As at 31 December 2013, 2014, 2015 and 30 June 2016, the carrying amount of property, plant and equipment is RMB368,461,000, RMB344,361,000, RMB333,011,000 and RMB361,945,000 respectively. Details of the useful lives of property, plant and equipment are disclosed in Note 15.

6. REVENUE AND SEGMENT INFORMATION

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

An analysis of Xindeng Cement's revenue for the year/period is as below:

	For the year ended 31 December			For the six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of cement	216,002	216,660	200,589	82,998	150,066
Sales of clinker	143,149	135,075	68,558	41,259	11,606
	359,151	351,735	269,147	124,257	161,672

Information reported to the directors of Xindeng Cement, who are identified as the chief operating decision maker (the "CODM") of Xindeng Cement, in order to allocate resources and to assess performance, focuses on the operating results of Xindeng Cement as a whole as Xindeng Cement's resources are integrated and no discrete operating segment financial statements is available. Accordingly, no operating segment information is presented.

All of Xindeng Cement's operations are located in the PRC. Xindeng Cement's revenue from external customers and all of its non-current assets are located in PRC based on geographical location of assets.

No revenue from individual external customer contributing over 10% of total revenue of Xindeng Cement.

7. OTHER INCOME

	For the year ended 31 December			For the six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Government grants:					
Value Added Tax refund *(note i)*	24,643	15,955	35,461	13,591	5,577
others	100	445	—	—	450
Compensation income *(note ii)*	1,088	—	306	306	—
Net income on sales of scrap materials	327	215	352	250	67
Interest on bank deposits	253	121	398	40	396
Electricity income	32	35	29	14	39
	26,443	16,771	36,546	14,201	6,529

Note:

i. Value Added Tax refund represents incentives approved by relevant tax authorities as a result of utilising industrial waste as part of the production materials.

ii. The amounts are mainly compensation income for damage on breach of contracts paid by the suppliers and customers.

8. OTHER EXPENSES

	For the year ended 31 December			For the six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Donations	(200)	(507)	(197)	(21)	(101)
Penalty paid *(note)*	—	(316)	(2,240)	(2,239)	—
	(200)	(823)	(2,437)	(2,260)	(101)

Note: The amounts represent penalty paid for certain overdue taxes levied by the tax authorities for each of the reporting periods.

9. OTHER GAINS AND LOSSES

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Allowance for bad and doubtful debts	(1,248)	—	—	—	—
(Loss) gain on disposal of property, plant and equipment	(44)	(550)	62	62	—
Others	12	6	28	4	30
	(1,280)	(544)	90	66	30

10. FINANCE COSTS

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on:					
Bank borrowings	157	403	—	—	—
Other borrowings *(note)*	2,959	2,491	1,521	1,129	—
	3,116	2,894	1,521	1,129	—

Note: Interest on other borrowing was accrued for amount due to related parties.

There are no borrowing costs on general borrowing pool capitalized.

11. INCOME TAX EXPENSE

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
PRC Enterprise Income Tax ("EIT") — current year/period	4,790	6,596	7,104	1,439	4,461
Deferred tax *(Note 27)*	(580)	1,264	1,102	953	406
	4,210	7,860	8,206	2,392	4,867

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 Xindeng Cement is 25%.

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

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before tax	16,318	30,482	29,736	8,999	19,247
Tax at the applicable rate of 25%	4,080	7,620	7,434	2,250	4,812
Tax effect of expenses that are not deductible	130	240	772	142	55
Income tax expenses for the year/ period	4,210	7,860	8,206	2,392	4,867

12. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD

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

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Depreciation of property, plant and equipment	28,002	27,511	27,386	12,684	13,503
Amortisation of prepaid lease payments	1,187	1,203	1,344	672	672
Amortisation of mining rights, included in cost of sales	248	279	279	139	139
Total depreciation and amortisation	29,437	28,993	29,009	13,495	14,314
Less: amounts capitalized to inventories	(20,354)	(20,665)	(21,161)	(10,074)	(10,303)
	9,083	8,328	7,848	3,421	4,011
Allowances for bad and doubtful debts	1,248	—	—	—	—
Losses (Gains) on disposal of property, plant and equipment	44	550	(62)	(62)	—
Cost of inventories recognized as an expense	327,819	300,631	238,843	110,269	134,862
Staff costs including retirement benefit	27,678	24,512	24,866	13,373	13,790
Less: staff costs capitalised to cost of sales	(9,224)	(9,337)	(9,947)	(4,748)	(5,279)
	18,454	15,175	14,919	8,625	8,511

13. EARNINGS PER SHARE

No earnings per share information is presented as such information is not meaningful regard to the purpose of this report.

14. DIVIDENDS

Dividends for the shareholders of Xindeng Cement recognised as distribution during the periods:

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Dividends recognised as distributions during the year/period	46,897	38,705	17,717	—	—

Subsequent to the end of the reporting period, no dividend in respect of the period ended 30 June 2016 has been proposed by the directors of Xindeng Cement.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST						
At 1 January 2013	170,170	338,748	3,275	3,759	—	515,952
Additions	—	186	—	126	407	719
Disposals	—	—	—	(120)	—	(120)
Transfer	—	407	—	—	(407)	—
At 31 December 2013	170,170	339,341	3,275	3,765	—	516,551
Additions	17	507	631	103	2,729	3,987
Disposals	—	(770)	(259)	—	—	(1,029)
At 31 December 2014	170,187	339,078	3,647	3,868	2,729	519,509
Additions	536	3,930	—	80	11,500	16,046
Disposals	—	—	(194)	—	—	(194)
Transfer	191	2,876	—	—	(3,067)	—
At 31 December 2015	170,914	345,884	3,453	3,948	11,162	535,361
Additions	—	1,383	4	134	40,916	42,437
Transfer	19,576	32,502	—	—	(52,078)	—
At 30 June 2016	190,490	379,769	3,457	4,082	—	577,798
DEPRECIATION						
At 1 January 2013	23,884	91,779	1,990	2,511	—	120,164
Provided for the year	5,388	21,470	609	535	—	28,002
Eliminated on disposals	—	—	—	(76)	—	(76)
At 31 December 2013	29,272	113,249	2,599	2,970	—	148,090
Provided for the year	5,388	21,385	460	278	—	27,511
Eliminated on disposals	—	(207)	(246)	—	—	(453)
At 31 December 2014	34,660	134,427	2,813	3,248	—	175,148
Provided for the year	5,392	21,502	303	189	—	27,386
Eliminated on disposals	—	—	(184)	—	—	(184)
At 31 December 2015	40,052	155,929	2,932	3,437	—	202,350
Provided for the period	2,680	10,677	73	73	—	13,503
At 30 June 2016	42,732	166,606	3,005	3,510	—	215,853
CARRYING AMOUNTS						
At 31 December 2013	140,898	226,092	676	795	—	368,461
At 31 December 2014	135,527	204,651	834	620	2,729	344,361
At 31 December 2015	130,862	189,955	521	511	11,162	333,011
At 30 June 2016	147,758	213,163	452	572	—	361,945

The above items of property, plant and equipment, other than construction in, are depreciated over their useful lives, after taking into account the estimated residual value, on a straight-line basis:

Buildings	20–30 years
Plant and machinery	5–15 years
Motor vehicles	5 years
Office equipment	5 years

All buildings in the plant are in process of application to obtain the ownership certificates.

16. DEPOSITS PAID

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits paid for acquiring property, plant and equipment, land use rights	2,864	1,474	25,528	2,180
Others	1,000	1,000	1,000	1,000
	3,864	2,474	26,528	3,180

17. PREPAID LEASE PAYMENTS

	RMB'000
At 1 January 2013	54,705
Addition	322
Charge for the year	(1,187)
At 31 December 2013	53,840
Addition	7,730
Charge for the year	(1,203)
At 31 December 2014	60,367
Charge for the year	(1,344)
At 31 December 2015	59,023
Charge for the period	(672)
At 30 June 2016	58,351

Analysis for reporting purposes as:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets included in trade and other receivables *(Note 20)*	1,203	1,344	1,344	1,344
Non-current assets	52,637	59,023	57,679	57,007
	53,840	60,367	59,023	58,351

Prepaid lease payments are amortised over the lease term of the respective leases, ranging from 50 to 57 years.

18. MINING RIGHTS

	RMB'000
COST	
At 1 January 2013	6,378
Additions	1,998
At 31 December 2013, 2014, 2015 and 30 June 2016	8,376
ACCUMULATED AMORTISATION	
At 1 January 2013	798
Amortisation	248
At 31 December 2013	1,046
Amortisation	279
At 31 December 2014	1,325
Amortisation	279
At 31 December 2015	1,604
Amortisation	139
At 30 June 2016	1,743
CARRYING AMOUNTS	
At 31 December 2013	7,330
At 31 December 2014	7,051
At 31 December 2015	6,772
At 30 June 2016	6,633

The useful lives of the mining rights in respect of limestone sites located in the PRC are ranged from 29 to 34 years.

19. INVENTORIES

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials and consumables	19,368	21,481	18,724	14,318
Work-in-progress	404	300	293	3,859
Finished goods	8,874	4,581	8,042	3,360
	28,646	26,362	27,059	21,537

20. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	10,324	1,456	2,313	1,845
Less: allowances for bad and doubtful debts	(1,406)	(1,406)	(1,406)	(1,406)
	8,918	50	907	439
Bills receivables	84,499	79,135	28,314	43,482
Advance to suppliers	157	103	376	835
Prepayment for various taxes	—	—	2,055	1,105
Prepaid lease payments *(Note 17)*	1,203	1,344	1,344	1,344
Other receivables	712	348	594	1,263
Less: allowances for bad and doubtful debts	(66)	(66)	(66)	(66)
Net amount of other receivables	646	282	528	1,197
	95,423	80,914	33,524	48,402

The aged analysis of Xindeng Cement's trade receivables and bills receivables (net of allowances) from the goods delivery date at the end of each Relevant Period is as follows:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	47,061	37,059	14,098	25,351
91–180 days	46,256	42,126	15,123	18,570
Over 1 year	100	—	—	—
Total	93,417	79,185	29,221	43,921

The Target Company allows a credit period of approximately 180 days. Before accepting any new customers, Xindeng Cement 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. Most 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 Xindeng Cement.

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

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Over 1 year	100	—	—	—
Total	100	—	—	—

Included in Xindeng Cement's trade receivable are debtors with aggregate carrying amount of RMB100,000 which are past due as at 31 December 2013 for which Xindeng Cement has not provided for impairment loss, and there is no trade receivable which is past due as at 31 December 2014, 2015 and 30 June 2016. Xindeng Cement does not hold any collateral over these balances. No allowance has been provided for those balances as Xindeng Cement 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.

Movement in the allowance for bad and doubtful debts

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at beginning of the year/period	224	1,472	1,472	1,472
Provided for the year/period	1,248	—	—	—
Balance at the end of the year/period	1,472	1,472	1,472	1,472

Included in the allowance for bad and doubtful debts are individually impaired trade and other receivables with an aggregate balance of RMB1,472,000 as at 31 December 2013, 2014, 2015 and 30 June 2016 respectively, including allowance for bad and doubtful debts of other receivable of RMB66,000 for each of the Relevant Periods, which were considered as uncollectable. Xindeng Cement does not hold any collateral over these balances.

21. AMOUNTS DUE FROM RELATED PARTIES

		As at 31 December			As at 30 June
		2013	**2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade in nature					
SDIC Henan New Energy Development Company Limited ("SDIC New Energy") (國投河南新能開發有限公司) *(note i)*	i	163	—	—	—
		163	—	—	—
Non-trade in nature					
Zhengzhou Xindeng Group Company Limited ("Xindeng Group") (鄭州新登企業集團有限公司)	ii	—	4,000	—	—
		—	4,000	—	—
Total		163	4,000	—	—

Xindeng Cement allows a credit period of 180 days for the goods sold. The following is an aged analysis of amounts due from related parties which are trade in nature based on the invoice date at the end of each reporting period:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	163	—	—	—
Total	163	—	—	—

The amounts due from related parties disclosed above are all in the credit period and not past due at the end of the reporting period.

Note:

i. SDIC New Energy is subsidiary of SDIC Coal Co., Ltd, Xindeng Cement's controlling shareholder before 2014, subsidiary of SDIC group;

ii. Xindeng Group is a non-controlling shareholder with 49% interest before May 2014 and controlling shareholder from May 2014 to July 2015. The amount is unsecured, interest-free and is expected to be recovered within one year. During the year ended 31 December 2015 and the period ended 30 June 2016, the maximum outstanding amounts are both RMB4,000,000.

22. PLEDGED BANK BALANCES

As at 31 December 2013, 2014, 2015 and 30 June 2016, pledged bank balances represented deposits pledged to banks for environment restoration of limestone mine amounting to RMB2,215,000, RMB2,323,000, RMB3,133,000 and RMB3,538,000 respectively.

The pledged bank balances carried market interest rate of 0.35% per annum as at 31 December 2013, 2014, 2015 and 30 June 2016.

23. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	16,676	5,895	101,115	73,687
Cash equivalents	6,523	—	—	—
	23,199	5,895	101,115	73,687

To use the bank and cash more efficiency, most of Xindeng Cement's bank and cash was deposited in the specific bank account of SDIC Finance, named cash polling system. The deposits, in the above said cash pooling system, can be used by Xindeng Cement whenever it need and then were recognised as cash equivalents.

As at 31 December 2013, 2014, 2015 and 30 June 2016, the cash and bank balances and deposits in cash pooling system were denominated in RMB, carrying interest at market rates of 0.35% per annum.

24. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	35,717	31,514	52,329	43,369
Construction cost and retention payable	17,592	15,359	17,726	16,270
Advances from customers	6,926	4,438	4,669	5,097
Other tax payables	7,513	7,763	809	4,270
Accrued welfare fund and payroll payable	2,714	1,973	4,274	1,422
Amount due to SDIC Group *(note)*	—	40,000	—	—
Other payables and accrued expenses	266	432	148	403
	70,728	101,479	79,955	70,831

Note:

The amounts represented company loan amounted to RMB40,000,000. The company loan was unsecured and with fixed interest rate at 5.7% per annum. The term of the loan was from 1 August 2011 to 31 July 2013, and renewed from 15 July 2014 to 14 July 2015.

Trade payables are non-interest bearing and are normally granted 180 days credit term. The aged analysis of Xindeng Cement's trade payables from the goods receipt date as at the end of each reporting period is as follows:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	30,838	25,290	48,071	40,157
91–180 days	2,624	1,235	2,785	1,066
181–365 days	49	2,448	—	678
Over 1 year	2,206	2,541	1,473	1,468
Total	35,717	31,514	52,329	43,369

25. AMOUNTS DUE TO RELATED PARTIES

		As at 31 December			As at 30 June
	Note	**2013**	**2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade in nature					
SDIC Xindeng Coal (國投新登鄭州煤業有限公司)	i	45,174	—	—	—
SDIC Coal Zhengzhou Energy Development Company Limited (國投煤炭鄭州能源開發有限公司)	i	617	—	—	—
		45,791	—	—	—
Non-trade in nature					
SDIC Finance	ii	30,045	—	—	—
Xindeng Group		—	64	83	83
		30,045	64	83	83
Total		75,836	64	83	83

The average credit period on purchase of goods is 180 days. The following is an aged analysis of amounts due to the related parties which are trade in nature based on the invoice date at the end of each reporting period:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
91–180 days	45,791	—	—	—
Total	45,791	—	—	—

Note:

i. Subsidiaries of SDIC Coal Co., Ltd, Xindeng Cement's controlling shareholder before 2014, subsidiary of SDIC group.

ii. As at 31 December 2013, amount due to SDIC Finance represented company loan amounted to RMB30,000,000, which was unsecured and with fixed interest rate at 6% per annum. The term of the loan was from 11 July 2012 to 10 July 2014.

26. BORROWINGS

As at 31 December 2013, the bank borrowing within one year amounted to RMB18,000,000, unsecured and fixed interest rate at 6.16% per annum. As at 31 December 2014, 2015 and 30 June 2016, the balance of bank borrowing was nil.

27. DEFERRED TAXATION

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

	Allowance on trade and other receivables and write-down of inventories	Depreciation of property, plant, equipment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	56	(3,569)	(713)	(4,226)
Credit (charge) to profit or loss for the year	312	(796)	1,064	580
At 31 December 2013	368	(4,365)	351	(3,646)
Charge to profit or loss for the year	—	(730)	(534)	(1,264)
At 31 December 2014	368	(5,095)	(183)	(4,910)
Charge to profit or loss for the year	—	(629)	(473)	(1,102)
At 31 December 2015	368	(5,724)	(656)	(6,012)
(Charge) credit to profit or loss for the period	—	(420)	14	(406)
At 30 June 2016	368	(6,144)	(642)	(6,418)

Note: Others mainly represented the amounts arising from time differences in revenue recognition and amortisation of mining rights.

For the purpose of presentation in the statements of financial position, the deferred tax assets and liabilities have been offset.

28. PAID-IN CAPITAL

Xindeng Cement was established at 27 March 2008, and the registered capital was RMB30,000,000 and fully paid-up. The movement therein for the Relevant Periods is set forth in statements of changes in equity.

	Paid-in capital
	RMB'000
As at At 1 January 2013, 31 December 2013 and 2014	260,000
Addition *(note)*	34,668
As at 31 December 2015 and 30 June 2016	294,668

Note: According to the Shareholder Capital Injection Agreement, on 23 December 2015, the controlling shareholder of Tianrui Group Company Limited injected about RMB83,445,000 to Xindeng Cement, of which capital injection amounted to RMB34,668,000 and capital reserve amounted to RMB48,777,000, based on the approval of Xindeng Cement's board of directors.

The investors' capital contributions payable/paid by the end of year/period in accordance with Xindeng Cement's article are as follows:

	As at 31 December			**As at 30 June**
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
SDIC Coal Investment (Beijing) Co., Ltd	132,600	—	—	—
Xindeng Group	127,400	260,000	132,600	132,600
Tianrui Group Co., Ltd	—	—	162,068	162,068
	260,000	260,000	294,668	294,668

29. OPERATING LEASE COMMITMENTS

Xindeng Cement as lessee

The rental payment paid for the Relevant Periods ended 31 December 2015 and six months ended 30 June 2016 amounted to approximately RMB106,000 and RMB248,000 respectively are paid for certain of its mining lands.

As at 31 December 2013, 2014, 2015 and 30 June 2016, Xindeng Cement had commitments for future minimum lease payments under non-cancellable in respect of rented land which fall due as follows:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	—	106	106	106
In the second to fifth year inclusive	—	423	423	423
Over fifth year inclusive	—	1,905	1,799	1,746
	—	2,434	2,328	2,275

Operating lease payments represent rentals payable by Xindeng Cement for certain of its mining and aggregate lands. Leases are negotiated for terms of 24 and 30 years respectively. Monthly rental was fixed and none of the leases include any contingent rentals and renewal options.

30. CAPITAL COMMITMENTS

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure of the Group in respect of acquisition property, plant and equipment — contracted for but not provided in the financial statements	2,065	1,049	15,387	4,073
	2,065	1,049	15,387	4,073

31. RETIREMENT BENEFIT SCHEMES

The PRC employees of Xindeng Cement are members of state-managed retirement benefit schemes operated by the local governments. Xindeng Cement is required to contribute a specified percentage of their payroll costs to the retirement benefit schemes to fund the benefits. The retirement benefit cost charged to profit or loss for the year/period ended 31 December 2013, 2014, 2015 and 30 June 2015 and 2016, amounted to RMB2,287,000, RMB2,455,000, RMB2,573,000, RMB1,285,000 and RMB1,238,000 respectively.

32. RELATED PARTY DISCLOSURES

Before acquired by Tianrui group on 22 December 2015, Xindeng Cement was ultimately controlled by the PRC government and operated in an economic environment predominated by entities controlled, jointly controlled or under significant influence by the PRC government ("government-related entities"). In addition, the then controlling shareholders of Xindeng Cement were parts of a larger group of companies under SDIC which is controlled by the PRC government.

During the Relevant Periods, Xindeng Cement had conducted business with government-related entities, including sales of goods to and purchases from government-related entities, deposits with and borrowings from banks which are government-related entities. The directors of Xindeng Cement consider that transactions with these government-related entities are within normal business operations and are carried out on market terms. Xindeng Cement has also developed product pricing policies and these policies do not depend on whether or not the customers are government-related entities.

The following is a summary of significant related party transactions between Xindeng Cement and its related parties (other than transactions with government-related entities which are not individually or collectively significant) during the Relevant Periods.

(a) Apart from the amounts due from/to related parties as disclosed in Notes 21 and 25 during the year/period, Xindeng Cement had the following significant transactions with the related parties for the year/period are as below:

		For the year ended 31 December			For the six months ended 30 June	
Nature of transaction	**Name of related company**	**2013**	**2014**	**2015**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Purchase of goods	SDIC Xindeng Coal	74,832	—	—	—	—
	SDIC Coal Zhengzhou Energy Development Co., Ltd	11,225	—	—	—	—
	Total	86,057	—	—	—	—
Sales of goods	SDIC New Energy	729	—	—	—	—
	Total	729	—	—	—	—

Note: The above related parties are all the subsidiaries of SDIC group.

(b) Remuneration to key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Xindeng Cement, directly and indirectly including directors of Xindeng Cement. The key management personnel compensations are as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Short-term benefits	3,562	3,159	3,199	1,009	1,091
Retirement benefits	131	117	113	56	53
	3,693	3,276	3,312	1,065	1,144

33. CAPITAL RISK MANAGEMENT

The management manages its capital to ensure Xindeng Cement will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. Xindeng Cement's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of Xindeng Cement consists of debt, which includes the borrowings (details refer to Note 26), and shareholder borrowing included in amount due to related parties (details refer to Note 25), equity attributable to owners of Xindeng Cement, comprising paid-in capital and reserves and retained earnings.

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

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables	119,640	91,685	133,997	122,343
Financial liabilities				
Amortized cost	150,125	118,342	92,277	61,564

Financial risk management objectives and policies

Xindeng Cement's major financial assets and liabilities include trade and other receivables, pledged bank balances, cash and cash equivalents, trade and other payables, amounts due to related parties and amount due from related parties, borrowings and dividend payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

Xindeng Cement is exposed to fair value interest rate risk in relation to fixed-rate borrowings and amounts due to related parties (see Notes 26 and 25 for details).

Xindeng Cement is exposed to cash flow interest rate risk in relation to pledged bank balances and cash and cash equivalents. (see Notes 22 and 23 for details).

Xindeng Cement closely monitors the interest rate trend and aims to lower the effective interest rate of borrowings.

Xindeng Cement's cash flow interest rate risk is mainly concentrated on the fluctuation of Benchmark Interest Rate announced by the People's Bank of China.

Credit risk

As at 31 December 2013, 2014, 2015 and 30 June 2016, Xindeng Cement's maximum exposure to credit risk which will cause a financial loss to Xindeng Cement due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

In order to minimise the credit risk arising from the respective recognised financial assets as stated in the statements of financial position, Xindeng Cement reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

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

The credit risk on trade receivables and bills receivables is limited because Xindeng Cement monitors the exposure to credit risk on an ongoing basis and credit evaluation is performed.

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

Liquidity risk

In the management of the liquidity risk, Xindeng Cement monitors and maintains a level of cash and cash equivalents adequate by the management to finance Xindeng Cement's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings.

Xindeng Cement has net current liabilities as at 31 December 2013 and 2014, which exposed Xindeng Cement to liquidity risk. In order to mitigate the liquidity risk, the directors of Xindeng Cement regularly monitors the operating cash flows of Xindeng Cement to meet its liquidity requirement in the short and long term. The directors of Xindeng Cement are of the view that Xindeng Cement is able to receive shareholder financial supporting.

The following table details Xindeng Cement's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Xindeng Cement can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are variable-rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average interest rate	On demand or 0–30 days	31 to 180 days	181 to 365 days	Total undiscounted cash flows	Carrying amounts
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2013						
Trade and other payables	—	27,895	28,394	—	56,289	56,289
Amount due to related parties						
— interest bearing	6.00	—	—	30,942	30,942	30,000
— non-interest bearing	—	45,836	—	—	45,836	45,836
Borrowings						
— fixed-rate	6.16	92	18,370	—	18,462	18,000
		73,823	46,764	30,942	151,529	150,125
As at 31 December 2014						
Trade and other payables	5.70	26,766	63,082	—	89,848	89,278
Amount due to related parties						
— interest bearing	—	—	—	—	—	—
— non-interest bearing	—	64	—	—	64	64
Dividend payables	—	—	29,000	—	29,000	29,000
		26,830	92,082	—	118,912	118,342
As at 31 December 2015						
Trade and other payables	—	21,841	52,636	—	74,477	74,477
Amount due to related parties	—	83	—	—	83	83
Dividend payables	—	—	17,717	—	17,717	17,717
		21,924	70,353	—	92,277	92,277
As at 30 June 2016						
Trade and other payables	—	19,384	42,080	—	61,464	61,464
Amount due to related parties	—	83	—	—	83	83
Dividend payables	—	17	—	—	17	17
		19,484	42,080	—	61,564	61,564

Fair value of financial instruments

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

35. SUBSEQUENT EVENTS

There are no significant events after the Relevant Periods.

C. INDEBTEDNESS STATEMENT

As at the close of business of 30 September 2016, being the latest practicable date for the purpose of this statement, other than the apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the Xindeng Cement, which has no subsidiary, the Xindeng Cement did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, bank loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, mortgage, charges, guarantees or other material contingent liabilities as at the close of business on 30 September 2016.

D. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors confirm that there is no material change in the financial or trading position or outlook of Xindeng Cement subsequent to 30 June 2016, the date to which the latest audited financial statements of Xindeng Cement were made up.

E. FINANCIAL AND TRADING PROSPECTS

Similar to what the Group experienced in Henan market, in the first six months of 2016 Xindeng Cement's sales prices continued the down trend as shown in the second half of 2015. It reached the bottom in February 2016 and turned around afterwards. Since July 2016, the sale prices of cement in Henan region have improved from the market low and increased following the reform policies progressed by the PRC government. For further details, please refer to the section headed "Non-competition deed and reasons for acquisition" in this circular.

F. LITIGATION

As at the Latest Practicable Date, Xindeng Cement was not engaged in any litigation, arbitration or claim of material importance and so far as the Directors were aware, no litigation, arbitration or claim of material importance was pending or threatened by or against Xindeng Cement or to which Xindeng Cement was, or might become, a party.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 30 September 2016 of the properties held by the Group located in the People's Republic of China.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

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30 December 2016

The Directors
China Tianrui Group Cement Company Limited
Room 2005A, 20/F., Lippo Centre Tower 2
89 Queensway, Admiralty
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from China Tianrui Group Cement Company Limited (the "Company") for us to value the properties held by the Company and/or its subsidiaries (together referred to as the "Group") located in the People's Republic of China (the "PRC"). We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 September 2016 (the "valuation date").

BASIS OF VALUATION

Our valuations of the properties have been based on the Market Value, which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

PROPERTY CATEGORISATIONS

In the course of our valuations, the portfolio of the properties are categorised into the following groups:

Group I	—	Properties held and occupied by the Group in the PRC
Group II	—	Property partly held and occupied and partly leased by the Group in the PRC
Group III	—	Property partly held and occupied and partly held for investment by the Group in the PRC
Group IV	—	Properties held for investment by the Group in the PRC
Group V	—	Property held by the Group under development in the PRC
Group VI	—	Properties occupied by the Group for mining operations in the PRC

VALUATION METHODOLOGIES

For the properties in Group I & Property No. 34 in Group IV, we have adopted the Depreciated Replacement Cost Approach. Depreciated replacement cost is defined as "the aggregate amount of the value of the land for the existing use or a notional replacement site in the same locality and the new replacement cost of the buildings and other site works, from which appropriate deductions may then be made to allow for the age, condition, economic or functional obsolescence and environmental factors, etc.; all of these might result in the existing property being worth less to the undertaking in occupation than would a new replacement". This basis has been used due to the lack of an established market upon which to base comparable transactions, which generally furnishes the most reliable indication of values for assets without a known used market. This opinion of value is subject to adequate profitability of the business compared to the value of the total assets employed. Where appropriate, we have also adopted the Investment Approach by taking into account the current passing rent of the portion being held under existing tenancy and the reversionary potential of the tenancy if it has been or would be let to tenant.

We have valued the property in Group III and Property No. 35 in Group IV on market basis by the Comparison Approach assuming sale in their existing state with the benefit of vacant possession and by making reference to actual transactions or asking prices of comparable properties as available in the relevant market. Appropriate adjustments have been made to account for the differences between the properties and the comparables in terms of location, time, floor level, size, condition and other relevant factors.

For the property in Group V, we have assumed that the property will be developed and completed in accordance with the latest development proposal provided to us. We have adopted the Comparison Approach by making reference to the comparables sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development.

We have attributed no commercial value to the properties in Groups II & VI due either to the nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents or that the titles of the properties are not vested in the Group.

TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Group's PRC legal advisor — DeHeng Law Offices regarding the title of the properties located in the PRC. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no forced sale situation in any manner is assumed in our valuations.

VALUATION CONSIDERATIONS

The inspections of the properties were conducted by Ms. Joannau Chan (MHKIS), Mr. KK Yeung (MSc (IRE)), Mr. Man Lam (MHKIS), Ms. Ellen Lo (BSc in Valuation & Estate Management), Mr. Edmund Cheng (Postgrad. Dip. in Surveying, MRICS), Mr. Andy Lee (MSc in Surveying, MRICS), Ms. Yates Wong (MSc(RealEst)), Mr. Lawrence Lee (MSc in Construction and Real Estate) respectively from August to October 2015 and September 2016.

We inspected the properties externally and where possible, the interior of the properties during the inspections. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the properties. We are, therefore, unable to report that the properties are free from rot, infestation or any other structural defects.

We have relied to a considerable extent on the information provided by the Group and have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, particulars of occupancy, site/floor areas, identification of the properties and all other relevant matters.

Except otherwise stated, dimensions, measurements and site/floor areas included in the valuation certificates are based on information contained in the documents provided to us and are therefore only approximations.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

For the purpose of compliance with Rule 11.3 of The Code on Takeovers and Mergers and Share Repurchases (the "Takeovers Code") and as advised by the Group, the potential tax liabilities which may arise from the sale of the properties include:

- Business tax at a rate of 5% of consideration for the properties in the PRC;
- Stamp duty at a rate of 0.05% of consideration for the properties in the PRC; and
- Land value appreciation tax for the properties in the PRC at progressive tax rates ranging from 30% to 60% on the appreciation.

As advised by the Group, the likelihood of any potential tax liability being crystalised is remote as the Group has no intention to sell the properties.

Our valuations have been prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The Code on Takeovers and Mergers and Share Repurchases issued by The Securities and Futures Commission.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB) and no allowances have been made for any exchange transfer.

Our summary of values and the valuation certificates are attached herewith.

As confirmed by the Group, all properties held by the Company and its subsidiaries are included in our report.

Pursuant to Rule 11.5(c) of the Takeovers Code, we have given and not withdrawn our consent to the issue of the Circular of the Company dated 30 December 2016 with the inclusion of this report.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Joannau W.F. Chan
BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director

Note:

Ms. Joannau W.F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 23 years' experience in valuations of properties in Hong Kong and over 17 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 30 September 2016 *RMB*
	Group I — Properties held and occupied by the Group in the PRC	
1.	A parcel of land (Land Parcel No. (2009)-05), various buildings and structures located in Economic Development Zone, Xiao County, Suzhou City, Anhui Province, The PRC 位於中國安徽省宿州市蕭縣經濟開發區之一塊土地(地號：(2009)-05)、若干房屋及構築物	297,000,000
2.	A parcel of land, various buildings and structures located at No. 9 Gao Shan Street, Wensheng District, Liaoyang City, Liaoning Province, The PRC 位於中國遼寧省遼陽市文聖區高山街9號之一塊土地、若干房屋及構築物	358,600,000
3.	A parcel of land (Land Parcel No. 57), various buildings and structures located in Lutun Town Industrial Zone, Bayuquan District, Yingkou City, Liaoning Province, The PRC 位於中國遼寧省營口市鮁魚圈區蘆屯鎮工業區之一塊土地(地號：57)、若干房屋及構築物	147,200,000

No.	Property	Market Value in existing state as at 30 September 2016 *RMB*
4.	2 parcels of land (under land use rights certificate: Lu Guo Yong (2006) Zi Di No. 220122), various buildings and structures located in the fourth group of Liangou Village, Liangwa Town, Lushan County, Pingdingshan City, Henan Province, The PRC 位於中國河南省 平頂山市魯山縣 梁洼鎮連溝村四組 之兩塊土地(土地證：魯國用(2006)字第220122號)、若干房屋及構築物	19,570,000
5.	A parcel of land (under land use rights certificate: Lu Yang Guo Zi (89) 0073), various buildings and structures located in the east of highway, the south, west and north of Xinhua Village, Zhangdian Township, Lushan County, Pingdingshan City, Henan Province, The PRC 位於中國河南省 平頂山市魯山縣 張店鄉公路以東，新華村以南、以西及以北 之一塊土地（土地證：魯陽國字（89）0073）、若干房屋及構築物	No Commercial Value
6.	A parcel of land (under land use rights certificate: Zhao Gao Yong (2008) Di No. 00342), various buildings and structures located in 231st Provincial Road, Yahe Village, Huangludian Town, Nanzhao County, Nanyang City, Henan Province, The PRC 位於中國河南省 南陽市南召縣231省道 皇路店鎮鴨河村 之一塊土地(土地證：召國用(2008)第00342號)、 若干房屋及構築物	62,500,000

No.	Property	Market Value in existing state as at 30 September 2016 *RMB*
7.	2 parcels of land (Land Parcel No. 2009-08), various buildings and structures located in Baitugang Town, Nanzhao County, Nanyang City, Henan Province, The PRC 位於中國河南省 南陽市南召縣 白土崗鎮 之兩塊土地(地號:2009-08)、 若干房屋及構築物	209,700,000
8.	A land parcel (under land use rights certificate: Guang Guo Yong (2011) Di No. 9595), various buildings and structures located at the north of 338th Provincial Road, Xuzhai Village, Mafan Town, Guangshan County, Xinyang City, Henan Province, The PRC 位於中國河南省 信陽市光山縣 馬畈鎮徐寨村338國道北側 之一塊土地(土地證:光國用(2011)第9595號)、若干 房屋及構築物	219,700,000
9.	4 parcels of land (under land use rights certificates: Guang Guo Yong (2011) Di Nos. 9803 to 9806), various buildings and structures located at the south of 338th Provincial Road, Zhouwan Village, Luochen Township, Guangshan County, Xinyang City, Henan Province, The PRC 位於中國河南省 信陽市光山縣 羅陳鄉周灣村338國道南側 之四塊土地(土地證:光國用(2011)第9803至9806號)、 若干房屋及構築物	22,010,000

No.	Property	Market Value in existing state as at 30 September 2016 *RMB*
10.	A land parcel (under land use rights certificate: Xin Shi Guo Yong (2003) Zi Di No. 30343), various buildings and structures located at the junction of Guang Ming Road and Long Jiang Road, Chen Wan Zu, Liang Miao Village, Pingqiao Town, Xinyang City, Henan Province, The PRC 位於中國河南省 信陽市平橋鎮兩廟村 陳灣組光明路及龍江路交界之一塊土地 （土地證：信市國用(2003)字第30343號）、 若干房屋及構築物	58,900,000
11.	A land parcel (Land Parcel No. 4-2/204), various buildings and structures located at Qian Sha Hu Village, Er Dao Gou Village, Luodatai Town, Wensheng District, Dengta City, Liaoyang City, Liaoning Province, The PRC 位於中國遼寧省 遼陽市燈塔市文聖區 羅大台鎮二道溝村 前沙滸村之一塊土地（地號：4-2/204）、 若干房屋及構築物	147,850,000
12.	2 parcels of land (Land Parcel No. 5-2/204), various buildings and structures located at Yangjia Village, Luodatai Town, Wensheng District, Dengta City, Liaoyang City, Liaoning Province, The PRC 位於中國遼寧省 遼陽市燈塔市文聖區 羅大台鎮楊家村 之兩塊土地（地號：5-2/204）、 若干房屋及構築物	35,400,000

No.	Property	Market Value in existing state as at 30 September 2016 *RMB*
13.	A land parcel (Land Parcel No. 111-211-020), various buildings and structures located at the east of Shenying Road, Bakeshu Village, Zhangtaizi Town, Wensheng District, Dengta City, Liaoyang City, Liaoning Province, The PRC 位於中國遼寧省 遼陽市燈塔市文聖區 張檯子鎮八棵樹村 沈營公路東側 之一塊土地(地號：111-211-020)、若干房屋及構築物	58,410,000
14.	2 parcels of land (Land Parcel No. 1140117 and another land parcel at junction of Santang Village), various buildings and structures located in Shabao Village, Changxingdao Town, Dalian City, Liaoning Province, The PRC 位於中國遼寧省 大連市長興島鎮 沙包村之兩塊土地(地號：1140117及另一塊位於三堂村交界)、 若干房屋及構築物	565,500,000
15.	A parcel of land (Land Parcel No. 2303), various buildings and structures located in Jiangyao Village, Da Zheng Town, Zhuanghe City, Liaoning Province, The PRC 位於中國遼寧省 莊河市 大鄭鎮姜窑村 之一塊土地(地號：2303)、 若干房屋及構築物	69,100,000

No.	Property	Market Value in existing state as at 30 September 2016 *RMB*
16.	2 parcels of land (Land Parcel Nos. 2008-0601 and 0606), various buildings and structures located in Dafangshen Village, Xuling Town, Zhuanghe City, Liaoning Province, The PRC 位於中國遼寧省 莊河市 徐嶺鎮大房身村 之兩塊土地(地號：2008-0601及0606)、若干房屋及構築物	17,100,000
17.	A parcel of land (under land use rights certificate: Ru Guo Yong (2006) Zi Di No. 0091), various buildings and structures located in the north of railway station, Linru Town, Ruzhou City, Henan Province, The PRC 位於中國河南省 汝州市臨汝鎮火車站北 之一塊土地(土地證：汝國用(2006)字第0091號)、 若干房屋及構築物	179,300,000
18.	A parcel of land (under land use rights certificate: Song Guo Yong (2011) Zi Di No. 0029), various buildings and structures located in Bai Po Village, Ku Qu Township, Song County, Luoyang City, Henan Province, The PRC 位於中國河南省 洛陽市嵩縣庫區鄉柏坡村 之一塊土地(土地證：嵩國用(2011)字第0029號)、 若干房屋及構築物	4,480,000

No.	Property	Market Value in existing state as at 30 September 2016 *RMB*
19.	A parcel of land (Land Parcel No. Ning Gua 2009-03), various buildings and structures located in Yuanzhuang Village, Liuhe Town, Ningling County, Shangqiu City, Henan Province, The PRC 位於中國河南省商丘市寧陵縣柳河鎮袁庄村之一塊土地(地號：寧掛2009-03)、若干房屋及構築物	37,200,000
20.	A parcel of land (under land use rights certificate: Zhou Kou Shi Guo Yong (2004) Zi Di No. 093), various buildings and structures located at the north of Zhoulei Road, Guanpo Village, Nanjiao Township, Chuanhui District, Zhoukou City, Henan Province, The PRC 位於中國河南省周口市川匯區南郊鄉官坡村周漯路以北之一塊土地(土地證：周口市國用(2004)字第093號)、若干房屋及構築物	123,700,000
21.	2 parcels of land (under land use rights certificates: Guo Yong (2008) Zi Di No. 0005804 & Xu Chang Xian Guo Yong (2011) Zi Di No. 2011107), various buildings and structures located at the south of Ruibeika Avenue and the west of Weiwu Avenue, Jiangguanchi Town, Xuchang County, Xuchang City, Henan Province, The PRC 位於中國河南省許昌市許昌縣將官池鎮瑞貝卡大道以南、魏武大道以西之兩塊土地(土地證：國用(2008)字第0005804號及許昌縣國用(2011)字第2011107號)、若干房屋及構築物	104,300,000

No.	Property	Market Value in existing state as at 30 September 2016 *RMB*
22.	A parcel of land (Land Parcel No. Yu Zheng Tu Wei (2004) 10), various buildings and structures located at the west of Pingyuan Road and the north of Longhai South Road, Liangyuan District, Shangqiu City, Henan Province, The PRC 位於中國河南省商丘市梁園區平原路西側、隴海南路北側之一塊土地(地號：豫政土委(2004)10號)、若干房屋及構築物	63,900,000
23.	2 parcels of land (under land use rights certificates: Ru Guo Yong (2006) Di Nos. 0126 & 0127), various buildings and structures located at the North of Rong Gong Road, Wangzhai Township, Ruzhou City, Henan Province, The PRC 位於中國河南省汝州市王寨鄉戎工路北側之兩塊土地(土地證：汝國用(2006)第0126及0127號)、若干房屋及構築物	217,600,000
24.	Various buildings (under building ownership certificates: Ru Fang Quan Zheng Ru Zhou Shi Zi Di Nos. 2011000792, 2011000793 & 2011000794) and structures located within Ruzhou Power Plant Wangzhai Township, Ruzhou City, Henan Province, The PRC 位於中國河南省汝州市王寨鄉汝洲市火電廠內之若干房屋(房權證：汝房權證汝州市字第2011000792、2011000793及2011000794號)及構築物	No Commercial Value

No.	Property	Market Value in existing state as at 30 September 2016 *RMB*
25.	2 parcels of land (Land Parcel Nos. 40183-01 & 40183-02), various buildings and structures located in Tiexi Industrial Zone, Weihui City, Henan Province, The PRC 位於中國河南省衛輝市鐵西工業區之兩塊土地(地號：40183-01及40183-02)、若干房屋及構築物	338,600,000
26.	6 parcels of land (Land Parcel Nos. 2-13-47 to 2-13-51), various buildings and structures located in Shaozhai Village and Sigou Village, Cuimiao Town, Xingyang City, Henan Province, The PRC 位於中國河南省滎陽市崔廟鎮邵寨村及寺溝村之六塊土地(地號：2-13-47至2-13-51)、若干房屋及構築物	457,600,000
27.	A parcel of land (under land use rights certificate: Yu Guo Yong (2011) Di No. 12–0535), various buildings and structures located in Liangbei Town, the west of Yuzhou City Industrial Park Henan Province, The PRC 位於中國河南省禹州市西工業園區梁北鎮之一塊土地(土地證：禹國用(2011)第12–0535號)、若干房屋及構築物	243,700,000
28.	A parcel of land (Land Parcel No. 8-9), various buildings and structures located in Baisha Town, Zhongmu County, Zhengzhou City, Henan Province, The PRC 位於中國河南省鄭州市中牟縣白沙鎮之一塊土地(地號：8-9)、若干房屋及構築物	115,300,000

No.	Property	Market Value in existing state as at 30 September 2016 *RMB*
29.	A parcel of land (Land Parcel No. 1201090070041000000), various buildings and structures located in Gangxi Street, Industrial Park, Dagang District, Tianjin, The PRC 位於中國天津市大港區港西街工業園之一塊土地（地號：1201090070041000000）、若干房屋及構築物	355,100,000
30.	A parcel of land (under land use rights certificate: Yu Guo Yong (2009) Di No. 02–0213), various buildings and structures located in the second group of Beidongzhuang Village and the ninth and tenth groups of Chendong Village, Qianjing Township, Yuzhou City, Henan Province, The PRC 位於中國河南省禹州市淺井鄉北董庄村二組及陳垌村九及十組之一塊土地(土地證：禹國用(2009)第02–0213號)、若干房屋及構築物	432,340,000
31.	4 parcels of land (Land Parcel Nos. 9990126-01, 9990126-2, 990311 & 05189), various buildings and structures located in Xiaohe Village, Maoqi Town, Haicheng City, Liaoning Province, The PRC 位於中國遼寧省海城市毛祁鎮小河村之四塊土地(地號：9990126-01、9990126-2、990311及05189)、若干房屋及構築物	215,900,000
	Sub-total:	**5,177,560,000**

No.	Property	Market Value in existing state as at 30 September 2016 *RMB*
	Group II — Property partly held and occupied and partly leased by the Group in the PRC	
32.	2 parcels of land (Land Parcel No. 4-(1)-19), various buildings and structures located in the west of Dianchang Road, Zhanhe District, Pingdingshan City, Henan Province, The PRC 位於中國河南省平頂山市湛河區電廠路西段之兩塊土地(地號：4-(1)-19)、若干房屋及構築物	No Commercial Value
	Sub-total:	**Nil**
	Group III — Property partly held and occupied and partly held for investment by the Group in the PRC	
33.	3 units located at Nos. 110-6, 110-7 and 110-8 Shiji Road East Section, Pulandian Town, Dalian City, Liaoning Province, The PRC 位於中國遼寧省大連市普蘭店市世紀路東段110-6, 110-7及110-8號的三個單位	5,300,000
	Sub-total:	**5,300,000**
	Group IV — Properties held for investment by the Group in the PRC	
34.	A land parcel (under land use rights certificate: Sui Gao Yong (2010) Di No. 213) and various structures located at the east of 107th Provincial Road, Ouhua Village, Hexing Township, Suiping County, Zhumadian City, Henan Province, The PRC 位於中國河南省駐馬店市遂平縣和興鄉藕花村107國道東側之一塊土地(土地證：遂國用(2010)第213號)及若干構築物	2,370,000

No.	Property	Market Value in existing state as at 30 September 2016
		RMB
35.	4 townhouses located at Nos. 907, 909, 911 and 913 Bingang Road, Lushunkou District, Dalian City, Liaoning Province, The PRC 位於中國遼寧省 大連市 旅順口區 濱港路907, 909, 911 及913號的 四棟別墅	10,200,000
	Sub-total:	**12,570,000**

Group V — Property held by the Group under development in the PRC

No.	Property	Market Value in existing state as at 30 September 2016
36.	A land parcel, various buildings and structures located at No. 600 Chuang Xin Liu Road, Hunnan District, Shenyang City, Liaoning Province, The PRC 位於中國遼寧省 沈陽市渾南區 創新六路600號 之一塊土地、 若干房屋及構築物	No Commercial Value
	Sub-total:	**Nil**

No. Property	Market Value in existing state as at 30 September 2016 *RMB*
Group VI — Properties occupied by the Group for mining operations in the PRC	
37. A parcel of land (under mining permit No. 4100000510296) located in Limestone mining area of Zhifang Village, Qianying Township, Baofeng County, Pingdingshan City, Henan Province, The PRC 位於中國河南省 平頂山市寶豐縣 前營鄉紙房村石灰石礦 之一塊土地(採礦許可證4100000510296號)	No Commercial Value
38. 2 parcels of land (under mining permit No. C4104822010127130090076) located in Qing Song mining area of Guanmiao Village, and Xiaoshangou mining area of Xiaoshangou Village, Linru Town, Ruzhou City, Henan Province, The PRC 位於中國河南省 汝州市臨汝鎮 關廟村青松採石場及 小山溝村小山溝採石場 之兩塊土地(採礦許可證C4104822010127130090076號)	No Commercial Value
39. A parcel of land (under mining permit No. C4104822010127130097304) located at Longma mining area of the west of Zhaigongdian Village, Mangchuan Township, Ruzhou City, Henan Province, The PRC 位於中國河南省 汝州市蟒川鄉 齋公店村西龍馬採石場 之一塊土地(採礦許可證C4104822010127130097304號)	No Commercial Value

No.	Property	Market Value in existing state as at 30 September 2016 *RMB*
40.	A parcel of land (under mining permit No. C4104822010127130097303), various buildings and structures located at Wufu mining area of the north of Shihuiyao Village, Mangchuan Township, Ruzhou City, Henan Province, The PRC 位於中國河南省 汝州市蟒川鄉 石灰窯村北五福採石場 之一塊土地(採礦許可證C4104822010127130097303號)及若干房屋及構築物	No Commercial Value
41.	Wu Fu Mining Area and Shen Long Mining Area located in the north of Shihuiyao Village, Mangchuan Township, Ruzhou City, Henan Province, The PRC 位於中國河南省 汝州市蟒川鄉 石灰窯村北 之五福採石場及神龍採石場	No Commercial Value
42.	A land parcel (under mining permit No. C4100002009047120019163) and various structures located at the west of 020 Township Road, Yunshanzhai Mining Area, Guangshan County, Xinyang City, Henan Province, The PRC 位於中國河南省 信陽市光山縣 雲山寨礦區020鄉道西側 之一塊土地(採礦許可證C4100002009047120019163號)及 若干構築物	No Commercial Value

No.	Property	Market Value in existing state as at 30 September 2016 *RMB*
43.	A parcel of land (under mining permit No. C4100002009047130014320) located in Qingshan Village, Baitugang Town, Nanzhao County, Nanyang City, Henan Province, The PRC 位於中國河南省 南陽市南召縣 白土崗鎮青山村 之一塊土地(採礦許可證C4100002009047130014320號)	No Commercial Value
44.	2 parcels of land (under mining permit No. C3400002013671101302O2) located in Tuan Li and Niu Tou Mountain Baitu Town, Xiao County, Suzhou City, Anhui Province, The PRC 位於中國安徽省 宿州市蕭縣 白土鎮 疃里及牛頭山 之兩塊土地(採礦許可證C3400002013671101302O2號)	No Commercial Value
45.	A parcel of land (under mining permit No. C4100002009107120041271), 2 buildings and various structures located in Luzhuang Mining Area, Luzhuang Village, Cuimiao Town, Xingyang City, Henan Province, The PRC 位於中國河南省 滎陽市崔廟鎮蘆莊村蘆莊礦區 之一塊土地(採礦許可證C4100002009107120041271號)、 兩棟房屋及若干構築物	No Commercial Value
46.	6 parcels of land and a building located in Nos. 1 & 2 Mining Zone, Douyigou Mining Area, Taigong Town, Weihui City, Henan Province, The PRC 位於中國河南省 衛輝市太公鎮 豆義溝礦區第一及第二採礦場之 六塊土地及一棟房屋	No Commercial Value

No.	Property	Market Value in existing state as at 30 September 2016 *RMB*
47.	A parcel of land (under mining permit No. C2100002009067120022367) and 3 buildings located in Yushu Mountain, Shabao Village, Changxing Island Lingang Industrial Zone, Dalian City, Liaoning Province, The PRC 位於中國遼寧省 大連市 長興島臨港工業區 沙包村榆樹山之一塊土地(採礦許可證C2100002009067120022367號) 及三棟房屋	No Commercial Value
48.	A parcel of land and a building located at No. 9 Gao Shan Street, Wensheng District, Liaoyang City, Liaoning Province, The PRC 位於中國遼寧省 遼陽市文聖區 高山街9號 之一塊土地及一棟房屋	No Commercial Value
49.	A parcel of land (under mining permit No. C4110812010127130093942) located at phase one of Yangdonggou mining area Beidongzhuang Village and Chendong Village, Qianjing Township, Yuzhou City, Henan Province, The PRC 位於中國河南省 禹州市淺井鄉 北董庄村及陳垌村楊垌溝採石一廠之 一塊土地(採礦許可證C4110812010127130093942號)	No Commercial Value
	Sub-total:	**Nil**
	Grand-total:	**5,195,430,000**

VALUATION CERTIFICATE

Group I — Properties held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
1.	A parcel of land (Land Parcel No. (2009)-05), various buildings and structures located in Economic Development Zone, Xiao County, Suzhou City, Anhui Province, The PRC 位於中國安徽省宿州市蕭縣經濟開發區之一塊土地（地號：(2009)-05）、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 208,629.4 sq.m. and 29 buildings and various ancillary structures completed in various stages between 2010 and 2015 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 17,790.47 sq.m. The land use rights of the property have been granted for a term of 40 years expiring on 19 June 2049 for industrial use.	The property is occupied by the Group for cement production purpose.	297,000,000

Notes:

1. The property is located in Xiao County Economic Development Zone which is about 1.5 hours' driving distance to Suzhou City. The immediate locality is an industrial area.

2. Pursuant to a State-owned Land Use Rights Grant Contract dated 19 June 2009, the land use rights of the property with a site area of approximately 208,629.4 sq.m. were contracted to be granted to Tianrui Group Xiaoxian Cement Company Limited (天瑞集團蕭縣水泥有限公司) ("Xiaoxian Cement") at a land premium of RMB20,060,000 for a term of 40 years for industrial use.

3. Pursuant to a State-owned Land Use Rights Certificate, Xiao Guo Yong (2009) Di No. 70 dated 23 July 2009, the land use rights of the property with a site area of approximately 208,629.4 sq.m. have been granted to Xiaoxian Cement for a term expiring on 19 June 2049 for industrial use.

4. Pursuant to 28 Real Estate Title Certificates, Fang Di Quan Zheng Xiao Bai Tu Zi Di Nos. 110002 to 110029, the building ownership rights of 29 buildings of the property with a total GFA of approximately 17,790.47 sq.m. are legally owned by Xiaoxian Cement.

5. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Xiaoxian Cement and Xiaoxian Cement has the rights to legally occupy and use the land parcel of the property in accordance with the State-owned Land Use Rights Certificate and the PRC laws; and

   b. The buildings of the property are legally owned by Xiaoxian Cement and Xiaoxian Cement has the rights to legally occupy and use these buildings in accordance with the Building Ownership Certificates and the PRC laws.

6. Xiaoxian Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
2.	A parcel of land, various buildings and structures located at No. 9 Gao Shan Street, Wensheng District, Liaoyang City, Liaoning Province, The PRC 位於中國遼寧省遼陽市文聖區高山街9號之一塊土地、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 351,941.9 sq.m. and 24 buildings and various structures completed in various stages between 2007 and 2012 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 23,147.74 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 29 October 2057 for industrial use.	The property is occupied by the Group for cement production purpose.	358,600,000

Notes:

1. The property is located in Wensheng District which is about 1.5 hours' driving distance to the Shenyang Taoxian International Airport. The immediate locality is an industrial area.

2. Pursuant to a State-owned Land Use Rights Grant Contract, Liao Shi Guo Tu Chu Zi (2007) Di No.77 dated 25 October 2007, the land use rights of the property with a site area of approximately 351,941.9 sq.m. were contracted to be granted to Liaoyang Tianrui Cement Company Limited (遼陽天瑞水泥有限公司) ("Liaoyang Cement") at a land premium of RMB106,000,000 for a term of 50 years for industrial use.

3. Pursuant to a State-owned Land Use Rights Certificate, Liao Shi Guo Yong (2007) Di No.1005785, the land use rights of the property with a site area of approximately 351,941.9 sq.m. have been granted to Liaoyang Cement for a term expiring on 29 October 2057 for industrial use.

4. Pursuant to 16 Building Ownership Certificates, Liao Shi Fang Quan Zheng Liao Shi Zi Di Nos. 00340034 to 00340039, 00340041 to 00340043, 00340045, 00345124 and 00345127 to 00345131, the building ownership rights of 16 buildings of the property with a total GFA of approximately 17,077.27 sq.m. are legally owned by Liaoyang Cement.

5. For the remaining 8 buildings of the property with a total GFA of approximately 6,070.47 sq.m., we have not been provided with any title certificates.

6. In the valuation of this property, we have attributed no commercial value to the buildings of the property stated in Note 5 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of these buildings of the property (excluding the land) as at the valuation date would be in the sum of approximately RMB9,270,000 assuming all relevant title certificates of these buildings have been obtained and these buildings could be freely transferred in the market.

7. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the land parcel of the property are legally vested in Liaoyang Cement and Liaoyang Cement has the rights to legally occupy and use the land parcel of the property in accordance with the State-owned Land Use Rights Certificate and the PRC laws;

   b. The buildings of the property with relevant Building Ownership Certificates are legally owned by Liaoyang Cement and Liaoyang Cement has the rights to legally occupy and use these buildings; and

   c. According to a Confirmation Letter issued by Liaoyang City Urban Construction Composite Development Requisition & Relocation Office (遼陽市城市建設綜合開發動遷安置辦公室) dated 21 March 2011, the buildings of the property stated in Note 5 are temporary buildings and it is not required to obtain relevant Building Ownership Certificates.

8. Liaoyang Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
3.	A parcel of land (Land Parcel No. 57), various buildings and structures located in Lutun Town Industrial Zone, Bayuquan District, Yingkou City, Liaoning Province, The PRC 位於中國遼寧省營口市鮁魚圈區蘆屯鎮工業區之一塊土地(地號：57)、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 146,527.8 sq.m. and 24 buildings and various structures completed in various stages between 2008 and 2010 erected thereon. The total gross floor area ("GFA") of the property is approximately 19,057.63 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 15 December 2056 for industrial use.	The property is occupied by the Group for cement production purpose.	147,200,000

Notes:

1. The property is located at Lutun Town industrial Zone which is about 1 hour's driving distance to Yingkou City. The immediate locality is an industrial area.

2. Pursuant to a State-owned Land Use Rights Certificate, Ba Yu Quan Guo Yong (2007) Di No. 0138, the land use rights of the property with a site area of approximately 146,527.8 sq.m. have been granted to Yingkou Tianrui Cement Company Limited (營口天瑞水泥有限公司) ("Yingkou Cement") for a term expiring on 15 December 2056 for industrial use.

3. Pursuant to 14 Building Ownership Certificates, the building ownership rights of 14 buildings of the property with a total GFA of approximately 15,170.32 sq.m. are legally owned by Yingkou Cement.

4. For the remaining 10 buildings of the property with a total GFA of approximately 3,887.31 sq.m., we have not been provided with any title certificates.

5. In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 4 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the valuation date would be in the sum of approximately RMB8,100,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred in the market.

6. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Yingkou Cement and Yingkou Cement has the rights to legally occupy and use the land parcel of the property in accordance with the land use rights certificate and the PRC laws;

   b. The buildings of the property with relevant building ownership certificates are legally owned by Yingkou Cement and Yingkou Cement has the rights to legally occupy, use, transfer and lease these buildings in accordance with the Building Ownership Certificate and the PRC laws; and

   c. According to a Letter issued by Yingkou Economic & Technology Development Zone Public Utilities & Real Estate Bureau (營口經濟技術開發區公用事業與房產局) dated 6 September 2011, buildings with a total GFA of 3,887.31 sq.m. are ancillary buildings and it is not required to obtain relevant Building Ownership Certificates.

7. Yingkou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
4.	2 parcels of land (under land use rights certificate: Lu Guo Yong (2006) Zi Di No. 220122), various buildings and structures located in the fourth group of Liangou Village, Liangwa Town, Lushan County, Pingdingshan City, Henan Province, The PRC 位於中國河南省平頂山市魯山縣梁洼鎮連溝村四組之兩塊土地(土地證：魯國用(2006)字第220122號)、若干房屋及構築物	The property comprises 2 land parcels ("Land Parcel I" and "Land Parcel II") with a total site area of approximately 150,421.95 sq.m. and 64 buildings and various ancillary structures completed in about 1998 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 35,149.63 sq.m. The land use rights of Land Parcel I and Land Parcel II have been granted for terms with the latest expiry date on 9 August 2039 for enterprise use.	The property is occupied by the Group for cement production purpose.	19,570,000

Notes:

1. The property is located at Liangou Village, Liangwa Town in Lushan County which is about 1 hour's driving distance to the Pingdingshan City. The immediate locality is an industrial area.

2. Pursuant to a State-owned Land Use Rights Certificate, Lu Guo Yong (2006) Zi Di No.220122, the land use rights of Land Parcel I and Land Parcel II with a total site area of approximately 150,421.95 sq.m. have been granted to Lushan Antai Cement Company Limited (魯山縣安泰水泥有限公司) ("Antai Cement") for terms expiring on 9 December 2028 and 9 August 2039 respectively for enterprise use. Details of which are as follows:

Land Parcel	Site Area *sq.m.*	Expiry Date
I	39,660.00	9 December 2028
II	110,761.95	9 August 2039
Total:	150,421.95	

3. Pursuant to 49 Building Ownership Certificates, the building ownership rights of 62 buildings of the property with a total GFA of approximately 35,075.63 sq.m. are legally owned by Antai Cement.

4. For the remaining 2 buildings of the property with a total GFA of approximately 74 sq.m., we have not been provided with any title certificates.

5. In the valuation of this property, we have attributed no commercial value to the buildings of the property stated in Note 4 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings of the property (excluding the land) as at the valuation date would be in the sum of approximately RMB10,000 assuming all relevant title certificates of the buildings have been obtained and the buildings could be freely transferred in the market.

6. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Antai Cement and Antai Cement has the rights to legally occupy and use the land parcels of the property in accordance with the land use rights certificate and the PRC laws;

   b. According to a Confirmation Letter issued by Lushan County Land & Resources Bureau (魯山縣國土資源局) dated 1 March 2011, the land use of the land parcels of the property should be industrial;

   c. The buildings of the property with Building Ownership Certificates are legally owned by Antai Cement and Antai Cement has the rights to legally occupy, use, transfer and lease these buildings; and

   d. According to a Confirmation Letter issued by Lushan County Real Estate Administration Bureau dated 21 March 2011, 2 buildings of the property with a total GFA of 74 sq.m. are hazardous buildings and it is not required to obtain relevant Building Ownership Certificates. The absence of relevant Building Ownership Certificates will not affect the production and operation.

7. Antai Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
5.	A parcel of land (under land use rights certificate: Lu Yang Guo Zi (89) 0073), various buildings and structures located in the east of highway, the south, west and north of Xinhua Village, Zhangdian Township, Lushan County, Pingdingshan City, Henan Province, The PRC 位於中國河南省平頂山市魯山縣張店鄉公路以東，新華村以南、以西及以北之一塊土地(土地證：魯陽國字(89)0073)、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 62,193.29 sq.m. and 33 buildings and various structures completed in various stages between 1958 and 2003 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 9,459.88 sq.m. The land use rights of property have been obtained for a term commencing on 24 September 1987.	The property is occupied by the Group for temporary staff quarters and canteen purposes.	No Commercial Value

Notes:

1. The property is located at Xinhua Village, Zhangdian Township in Lushan County which is about 1 hour's driving distance to the Pingdingshan City. The immediate locality is an industrial area.

2. Pursuant to a State-owned Land Use Rights Certificate, Lu Yang Guo Zi (89) 0073, the land use rights of property with a site area of approximately 62,193.29 sq.m. have been obtained by Lushan County Power Plant (魯山縣電廠) for a term commencing on 24 September 1987.

3. Pursuant to 33 Building Ownership Certificates, Lu Shan Xian Fang Quan Zheng Zi Guan Fang Zi Di Nos. 00011856 to 00011874 and 00011912 to 00011925, the building ownership rights of 33 buildings of the property with a total GFA of approximately 9,459.88 sq.m. are legally owned by Lushan Antai Cement Company Limited (魯山縣安泰水泥有限公司) ("Antai Cement").

4. In the valuation of this property, we have attributed no commercial value to the property as the land use rights of the property is not vested in the Group and the property cannot be freely transferred, leased, mortgaged or disposed of in the market.

5. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. As advised by the Group, nature of the land use rights of the land parcel of the property is allocated, and the Group has not obtained relevant land use rights certificates nor permits from relevant authorities to use the land parcel of the property;

b. There exists no legal basis for Antai Cement to use the land parcel of the property and the land parcel of the property might be resumed by relevant authorities; and

c. The buildings of the property might be ordered to be demolished.

6. Antai Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
6.	A parcel of land (under land use rights certificate: Zhao Guo Yong (2008) Di No. 00342), various buildings and structures located in 231st Provincial Road, Yahe Village, Huangludian Town, Nanzhao County, Nanyang City, Henan Province, The PRC 位於中國河南省南陽市南召縣231省道皇路店鎮鴨河村之一塊土地(土地證：召國用(2008)第00342號)、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 109,179.212 sq.m. and 15 buildings and various structures completed in various stages between 2008 and 2010 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 16,917.91 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 25 June 2058 for industrial use.	The property is occupied by the Group for cement grinding purpose.	62,500,000

Notes:

1. The property is located at Yahe Village, Huangludian Town in Nanzhao County which is about 1 hour's driving distance to Nanyang City. The immediate locality is an industrial area.

2. Pursuant to a State-owned Land Use Rights Grant Contract, Zhao Guo Tu Chu (2008) No. 08, the land use rights of the property with a site area of approximately 109,179 sq.m. were contracted to be granted to Tianrui Group Nanzhao Cement Company Limited (天瑞集團南召水泥有限公司) ("Nanzhao Cement") for a term of 50 years commencing on 25 July 2008 for industrial use at a land premium of RMB9,200,000.

3. Pursuant to a State-owned Land Use Rights Certificate, Zhao Guo Yong (2008) Di No.00342, the land use rights of the property with a site area of approximately 109,179.212 sq.m. have been granted to Nanzhao Cement for a term expiring on 25 June 2058 for industrial use.

4. Pursuant to 7 Building Ownership Certificates, Zhao Fang Quan Zheng Huang Lu Dian Zhen Zi Di Nos. 5-828 and 5-828-01 to 5-828-06, the building ownership rights of 15 buildings of the property with a total GFA of approximately 16,917.91 sq.m. are legally owned by Nanzhao Cement.

5. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the land parcel are legally vested in Nanzhao Cement and Nanzhao Cement has the rights to legally occupy and use the land parcel of the property in accordance with the land use rights certificate and the PRC laws; and

b. The buildings of the property are legally owned by Nanzhao Cement and Nanzhao Cement has the rights to legally occupy, use, transfer and lease these buildings.

6. Nanzhao Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
7.	2 parcels of land (Land Parcel No. 2009-08), various buildings and structures located in Baitugang Town, Nanzhao County, Nanyang City, Henan Province, The PRC 位於中國河南省南陽市南召縣白土崗鎮之兩塊土地（地號：2009-08）、若干房屋及構築物	The property comprises 2 land parcels ("Land Parcel I" and "Land Parcel II") with a total site area of approximately 250,715.06 sq.m. and 28 buildings and various ancillary structures completed in 2010 and 2014 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 46,566.48 sq.m. The land use rights of the property have been granted for terms with the latest expiry date on 28 September 2061 for industrial use.	The property is occupied by the Group for clinker production purpose.	209,700,000

Notes:

1. The property is located at Baitugang Town in Nanzhao County which is about 1.5 hours' driving distance to Nanyang City. The immediate locality is an industrial area.

2. Pursuant to a State-owned Land Use Rights Grant Contract, Yu (Nan Zhao) Chu Rang (2009 Nian) Di No.0013 dated 13 July 2009, the land use rights of Land Parcel I were contracted to be granted to Tianrui Group Nanzhao Cement Company Limited (天瑞集團南召水泥有限公司) ("Nanzhao Cement") for a term of 50 years commencing on 30 July 2009 for industrial use at a land premium of RMB17,530,000.

3. Pursuant to 3 Requisition Compensation Agreements entered into between Nanzhao County Baitugang Town People's Government (南召縣白土崗鎮人民政府) and Nanzhao Cement, the land use rights of Land Parcel II have been obtained by Nanzhao Cement at a total consideration of RMB1,040,766.

4. Pursuant to 2 State-owned Land Use Rights Certificates, Zhao Guo Yong (2009) Di No. 00194 and Zhao Guo Yong (2011) Di No. 00294, the land use rights of the property with a total site area of approximately 250,715.06 sq.m. have been granted to Nanzhao Cement for terms expiring on 13 July 2059 and 28 September 2061 respectively for industrial use.

5. Pursuant to 27 Building Ownership Certificates, the building ownership rights of 27 buildings of the property with a total GFA of approximately 46,041.48 sq.m. are legally owned by Nanzhao Cement.

6. For the remaining building of the property with a GFA of approximately 525 sq.m., we have not been provided with any title certificates.

7. In the valuation of this property, we have attributed no commercial value to the building of the property stated in Note 6 as relevant title certificates of the building have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the building of the property (excluding the land) as at the valuation date would be in the sum of approximately RMB550,000 assuming all relevant title certificates of the building have been obtained and the building could be freely transferred in the market.

8. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Nanzhao Cement and Nanzhao Cement has the rights to legally occupy and use the land parcels of the property in accordance with the land use rights certificates and the PRC laws; and

   b. The buildings of the property with building ownership certificates are legally owned by Nanzhao Cement and Nanzhao Cement has the rights to legally occupy and use these buildings.

9. Nanzhao Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
8.	A land parcel (under land use rights certificate: Guang Guo Yong (2011) Di No. 9595), various buildings and structures located at the north of 338th Provincial Road, Xuzhai Village, Mafan Town, Guangshan County, Xinyang City, Henan Province, The PRC 位於中國河南省信陽市光山縣馬畈鎮徐寨村338國道北側之一塊土地(土地證：光國用(2011)第9595號)、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 191,910.7 sq.m. and 30 buildings and various structures completed in various stages between 2008 and 2012 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 17,548.18 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 25 June 2058 for industrial use.	The property is occupied by the Group for cement production purpose.	219,700,000

Notes:

1. The property is located at Xuzhai Village of Mafan Town which is within about 1.5 hours' driving distance from Xinyang City. The immediate locality is an industrial area intermingled with some rural and village settlements.

2. Pursuant to a Land Requisition Agreement entered into between Guangshan County People's Government (光山縣人民政府) ("Guangshan Government") and Tianrui Group Cement Company Limited (天瑞集團水泥有限公司) ("Tianrui Cement") dated 11 September 2007, the land use rights of the property with a site area of approximately 191,912.9 sq.m. were contracted to be obtained by Tianrui Cement at a consideration of RMB12,954,060.

3. Pursuant to a State-owned Land Use Rights Certificate, Guang Guo Yong (2011) Di No. 9595, the land use rights of the property with a site area of approximately 191,910.7 sq.m. have been granted to Tianrui Group Guangshan Cement Company Limited (天瑞集團光山水泥有限公司) ("Guangshan Cement") for a term of 50 years expiring on 25 June 2058 for industrial use.

4. Pursuant to a Building Ownership Certificate, Guang Shan Xian Fang Quan Zheng Zi Di No. 0035842, the building ownership rights of 29 buildings of the property with a total GFA of approximately 15,948.18 sq.m. are legally owned by Guangshan Cement.

5. For the remaining building of the property with a GFA of approximately 1,600 sq.m., we have not been provided with any title certificates.

6. In the valuation of this property, we have attributed no commercial value to the building stated in Note 5 as relevant title certificate of the building has not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the building (excluding the land) as at the valuation date would be in the sum of approximately RMB3,290,000 assuming all relevant title certificate have been obtained and the building could be freely transferred in the market.

7. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Guangshan Cement and Guangshan Cement has the rights to legally occupy, use, transfer, lease and mortgage the land use rights of the property in accordance with the land use rights certificate and the PRC laws; and

   b. The buildings of the property (except portion of the property as stated in Note 5) are legally owned by Guangshan Cement and Guangshan Cement has the rights to legally occupy, use, transfer, lease and mortgage the buildings of the property in accordance with the building ownership certificate and the PRC laws.

8. Tianrui Cement and Guangshan Cement are both wholly-owned subsidiaries of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
9.	4 parcels of land (under land use rights certificates: Guang Guo Yong (2011) Di Nos. 9803 to 9806), various buildings and structures located at the south of 338th Provincial Road, Zhouwan Village, Luochen Township, Guangshan County, Xinyang City, Henan Province, The PRC 位於中國河南省信陽市光山縣羅陳鄉周灣村338國道南側之四塊土地(土地證：光國用(2011)第9803至9806號)、若干房屋及構築物	The property comprises 4 land parcels with a total site area of approximately 160,596 sq.m. and 8 buildings and various structures completed in about 1995 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 6,693.88 sq.m. The land use rights of the property have been granted for a term expiring on 15 October 2058 for industrial use.	The property is occupied by the Group for temporary office, dormitory and ancillary purposes.	22,010,000

Notes:

1. The property is located at Zhouwan Village of Luochen Township which is within about 1.5 hours' driving distance from Xinyang City. The immediate locality is an industrial area intermingled with some rural and village settlements.

2. Pursuant to a Qiangshan Group Company Assets Disposal & Transfer Agreement dated 3 July 2007, the property together with relevant machinery and equipment, inventories and goodwill were contracted to be transferred to Tianrui Group Cement Company Limited (天瑞集團水泥有限公司) ("Tianrui Cement") at a total consideration of RMB25,300,000.

3. Pursuant to 4 State-owned Land Use Rights Certificates, Guang Guo Yong (2011) Di Nos. 9803 to 9806, the land use rights of the property have been granted to Tianrui Group Guangshan Cement Company Limited (天瑞集團光山水泥有限公司) ("Guangshan Cement") for a common term expiring on 15 October 2058 for industrial use.

4. Pursuant to 3 Building Ownership Certificates, Guang Shan Xian Fang Quan Zheng Zi Di Nos. 0035839 to 0035841, the building ownership rights of 8 buildings of the property with a total GFA of approximately 6,693.88 sq.m. are legally owned by Guangshan Cement.

5. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Guangshan Cement and Guangshan Cement has the rights to legally occupy, use, transfer, lease and mortgage the land use rights of the property in accordance with the land use rights certificates and the PRC laws; and

   b. The buildings of the property are legally owned by Guangshan Cement and Guangshan Cement has the rights to legally occupy, use, transfer, lease and mortgage the buildings of the property in accordance with the building ownership certificates and the PRC laws.

6. Tianrui Cement and Guangshan Cement are both wholly-owned subsidiaries of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
10.	A land parcel (under land use rights certificate: Xiu Shi Guo Yong (2003) Zi Di No. 30343), various buildings and structures located at the junction of Guang Ming Road and Long Jiang Road, Chen Wan Zu, Liang Miao Village, Pingqiao Town, Xinyang City, Henan Province, The PRC 位於中國河南省信陽市平橋鎮兩廟村陳灣組光明路及龍江路交界之一塊土地（土地證：信市國用(2003)字第30343號）、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 41,417.9 sq.m. and various buildings and structures completed in between 2002 and 2010 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 1,118.1 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 31 July 2053 for industrial use.	The property is occupied by the Group for cement production purpose.	58,900,000 70% interest attributable to the Group: RMB41,230,000

Notes:

1. The property is located at Liang Miao Village of Pingqiao Town which is within about 15 minutes' driving distance from Xinyang City. The immediate locality is an industrial area.

2. Pursuant to a State-owned Land Use Rights Certificate, Xin Shi Guo Yong (2003) Zi Di No. 30343, the land use rights of the property with a site area of approximately 41,417.9 sq.m. have been granted to o Xinyang Jinlong Cement Company Limited (信陽金龍水泥有限責任公司) ("Xinyang Jinlong") for industrial use.

3. For the buildings of the property with a total GFA of approximately 1,118.1 sq.m., we have not been provided with any title certificates.

4. In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 3 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the valuation date would be in the sum of approximately RMB900,000 assuming all relevant title certificates of the buildings have been obtained and the buildings could be freely transferred in the market.

5. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   The land use rights of the property are legally vested in Xinyang Jinlong and Xinyang Jinlong has the rights to legally occupy, use, transfer and lease the land parcel of the property in accordance with the State-owned Land Use Rights Certificate and the PRC laws.

6. Xinyang Jinlong is a 70%-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
11.	A land parcel (Land Parcel No. 4-2/204), various buildings and structures located at Qian Sha Hu Village, Er Dao Gou Village, Luodatai Town, Wensheng District, Dengta City, Liaoyang City, Liaoning Province, The PRC 位於中國遼寧省遼陽市燈塔市文聖區羅大台鎮二道溝村,前沙滸村之一塊土地(地號：4-2/204)、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 51,175 sq.m. and various buildings and structures completed in around 2009 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 5,024.6 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 4 March 2058 for industrial use.	The property is occupied by the Group for cement production purpose.	147,850,000

Notes:

1. The property is located at Luodatai Town which is within about 45 minutes' driving distance from Liaoyang City. The immediate locality is an industrial area intermingled with some rural and village settlements.

2. Pursuant to a State-owned Land Use Rights Certificate, Deng Guo Yong (2008) Di No. 22150200, the land use rights of the property with a site area of approximately 51,175 sq.m. have been granted to Liaoning Liaodong Cement Group Sha He Cement Company Limited (遼寧遼東水泥集團山河水泥有限公司) (now known as Dengta Liaota Cement Company Limited (燈塔市遼塔水泥有限公司, "Dengta Cement")) for industrial use.

3. For the buildings of the property with a total GFA of approximately 5,024.6 sq.m., we have not been provided with any title certificates.

4. In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 3 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the valuation date would be in the sum of approximately RMB3,800,000 assuming all relevant title certificates of the buildings have been obtained and the buildings could be freely transferred in the market.

5. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   The land use rights of the property are legally vested in Dengta Cement and Dengta Cement has the rights to legally occupy, use, transfer and lease the land parcel of the property in accordance with the State-owned Land Use Rights Certificate and the PRC laws.

6. Dengta Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
12.	2 parcels of land (Land Parcel No. 5-2/204), various buildings and structures located at Yangjia Village, Luodatai Town, Wensheng District, Dengta City, Liaoyang City, Liaoning Province, The PRC 位於中國遼寧省遼陽市燈塔市文聖區羅大台鎮楊家村之兩塊土地（地號：5-2/204）、若干房屋及構築物	The property comprises 2 land parcels ("Land Parcel I" and "Land Parcel II") with a total site area of approximately 73,932.71 sq.m. and 2 buildings and various structures completed in various stages between 2008 and 2014 erected thereon. The total gross floor area ("GFA") of the 2 buildings of the property is approximately 1,767.89 sq.m. The land use rights of Land Parcel I and Land Parcel II have been granted for two terms with the latest expiry date on 23 July 2064 for industrial purpose.	The property is occupied by the Group for cement production purpose.	35,400,000

Notes:

1. The property is located at Yangjia Village of Luodatai Town which is within about 45 minutes' driving distance from Liaoyang City. The immediate locality is an industrial area intermingled with some rural and village settlements.

2. Pursuant to two State-owned Land Use Rights Certificates, Deng Guo Yong (2006) Di No. 2215020003 and Liao Wen Guo Yong (2014) Di No. 1030000137, the land use rights of Land Parcel I and Land Parcel II with site areas of approximately 50,600.2 sq.m. and 23,332.51 sq.m. have been granted to Liaoning Heng Wei Group Weiqi Cement Company Limited (遼寧恒威集團威企水泥有限公司) ("Heng Wei Group") (now known as Liaoyang Tianrui Weiqi Cement Company Limited (遼陽天瑞威企水泥有限公司) ("Weiqi Cement")) and Weiqi Cement respectively for industrial use.

3. Pursuant to 2 Building Ownership Certificates, Fang Quan Zheng Deng Zi Di Nos. 010101111 and 010101112, the building ownership rights of 2 buildings of the property with a total GFA of approximately 1,767.89 sq.m. are legally owned by Weiqi Cement.

4. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Weiqi Cement and Weiqi Cement has the rights to legally occupy, use, transfer, lease and mortgage the land parcel of the property in accordance with the State-owned Land Use Rights Certificate and the PRC laws; and

   b. The buildings of the property are legally vested in Weiqi Cement and Weiqi Cement has the rights to legally occupy, use, transfer, lease and mortgage the buildings of the property in accordance with the Building Ownership Certificates and the PRC laws.

5. Weiqi Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
13.	A land parcel (Land Parcel No. 111-211-020), various buildings and structures located at the east of Shenying Road, Bakeshu Village, Zhangtaizi Town, Wensheng District, Dengta City, Liaoyang City, Liaoning Province, The PRC 位於中國遼寧省遼陽市燈塔市文聖區張檯子鎮八棵樹村沈營公路東側之一塊土地（地號：111-211-020）、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 56,260.28 sq.m. and various buildings and structures completed in various stages between 2007 and 2014 erected thereon. The total gross floor area ("GFA") of the 3 buildings of the property is approximately 3,888.89 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 9 October 2056 for industrial use.	The property is occupied by the Group for cement production purpose.	58,410,000 70% interest attributable to the Group: RMB40,887,000

Notes:

1. The property is located at Bakeshu Village of Zhangtaizi which is within about 45 minutes' driving distance from Liaoyang City. The immediate locality is an industrial area intermingled with some rural and village settlements.

2. Pursuant to a State-owned Land Use Rights Certificate, Deng Guo Yong (2013) Di No. 1786, the land use rights of the property with a site area of approximately 56,260.28 sq.m. have been granted to Liaoyang Tianrui Chengxing Cement Company Limited (遼陽天瑞誠興水泥有限公司) ("Chengxing Cement") for a term expiring on 9 October 2056 for industrial use.

3. Pursuant to 3 Building Ownership Certificates, Fang Quan Zheng Deng Zi Di Nos. 010102109, 010102186 and 010102187, the building ownership rights of 3 buildings of the property with a total GFA of approximately 3,888.89 sq.m. are legally owned by Chengxing Cement.

4. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Chengxing Cement and Chengxing Cement has the rights to legally occupy, use, transfer, lease and mortgage the land parcel of the property in accordance with the State-owned Land Use Rights Certificate and the PRC laws; and

   b. The buildings of the property are legally vested in Chengxing Cement and Chengxiang Cement has the rights to legally occupy, use, transfer, lease and mortgage the buildings of the property in accordance with the Building Ownership Certificates and the PRC laws.

5. Chengxing Cement is a 70%-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
14.	2 parcels of land (Land Parcel No. 1140117 and another land parcel at junction of Santang Village), various buildings and structures located in Shabao Village, Changxingdao Town, Dalian City, Liaoning Province, The PRC 位於中國遼寧省大連市長興島鎮沙包村之兩塊土地（地號：1140117及另一塊位於三堂村交界）、若干房屋及構築物	The property comprises 2 land parcels ("Land Parcel I" and "Land Parcel II") with a total site area of approximately 466,477 sq.m. and 42 buildings and various structures completed in various stages between 2007 and 2011 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 35,856.93 sq.m. The land use rights of the property have been granted for terms with the latest expiry date on 8 February 2061 for industrial use.	The property is occupied by the Group for cement production purpose.	565,500,000

Notes:

1. The property is located at Shabao Village which is about 1.5 hours' driving distance to the Dalian City. The immediate locality is an industrial area.

2. Pursuant to a State-owned Construction Land Use Rights Grant Contract, Contract No. 2102812011A6017 dated 9 February 2011, the land use rights of Land Parcel II of the property with a site area of approximately 69,479 sq.m. were contracted to be granted to Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司) ("Dalian Cement") with the following salient conditions:

Land Premium:	RMB24,317,650
Term:	50 years commencing on 9 February 2011
Use:	Industrial
Plot Ratio:	$\geq$ 0.7
Density:	$\geq$ 30%
Height Restriction:	100 meter
Green Area:	$\leq$ 15%

3. Pursuant to 2 State-owned Land Use Rights Certificates, Wa Guo Yong (2005) Di No. 098 and Da Guo Yong (2011) Di No. 06049, the land use rights of the property with a total site area of approximately 466,477 sq.m. have been granted to Dalian Cement for terms expiring on 13 December 2028 and 8 February 2061 respectively for industrial use.

4. Pursuant to 42 Building Ownership Certificates, the building ownership rights of 42 buildings of the property with a total GFA of approximately 35,856.93 sq.m. are legally owned by Dalian Cement.

5. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Dalian Cement and Dalian Cement has the rights to legally occupy and use the land parcels in accordance with the State-owned Land Use Rights Certificates and the PRC laws; and

   b. The buildings of the property are legally owned by Dalian Cement and Dalian Cement has the rights to legally occupy and use the buildings of the property in accordance with the building ownership certificates and the PRC laws.

6. Dalian Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
15.	A parcel of land (Land Parcel No. 2303), various buildings and structures located in Jiangyao Village, Da Zheng Town, Zhuanghe City, Liaoning Province, The PRC 位於中國遼寧省莊河市大鄭鎮姜窑村之一塊土地（地號：2303）、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 17,153.95 sq.m. and 16 buildings and various structures completed in various stages between 2003 and 2015 erected thereon. The total gross floor area ("GFA") of the property is approximately 8,616.24 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 10 August 2053 for industrial use.	The property is occupied by the Group for cement production purpose.	69,100,000

Notes:

1. The property is located at Jiangyao Village which is about 30 minutes' driving distance to Zhuanghe City. The immediate locality is a rural area.

2. Pursuant to a State-owned Land Use Rights Certificate, Zhuang Guo Yong (2009) Di No. 2303, the land use rights of the property with a site area of approximately 17,153.95 sq.m. have been granted to Dalian Jinhaian Building Materials Group Company Limited (大連金海岸建材集團有限公司) (now known as Dalian Tianrui Jinhaian Cement Company Limited (大連天瑞金海岸水泥有限公司) ("Jinhaian Cement")) for a term expiring on 10 August 2053 for industrial use.

3. Pursuant to 16 Building Ownership Certificates, the building ownership rights of 16 buildings of the property with a total GFA of approximately 8,616.24 sq.m. are legally owned by Jinhaian Cement.

4. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Jinhaian Cement and Jinhaian Cement has the rights to legally occupy and use the land parcel of the property in accordance with the land use rights certificate and the PRC laws; and

   b. The buildings of the property with relevant building ownership certificates are legally owned by Jinhaian Cement and Jinhaian Cement has the rights to legally occupy, use, transfer and lease these buildings.

5. Jinhaian Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
16.	2 parcels of land (Land Parcel Nos. 2008-0601 and 0606), various buildings and structures located in Dafangshen Village, Xuling Town, Zhuanghe City, Liaoning Province, The PRC 位於中國遼寧省莊河市徐嶺鎮大房身村之兩塊土地(地號：2008-0601及0606)、若干房屋及構築物	The property comprises 2 land parcels with a total site area of approximately 15,182.32 sq.m. and 13 buildings and various structures completed in various stages between 1988 and 2013 erected thereon. The total gross floor area ("GFA") of the property with title certificates is approximately 7,203.23 sq.m. The land use rights of the property have been granted for terms of 50 years with the latest expiry date on 21 December 2056 for industrial use.	As advised by the Group, the property is temporarily suspended operation for seasonal maintenance. It is expected to resume operation in Spring 2017.	17,100,000

Notes:

1. The property is located at Dafangshen Village which is about 30 minutes' driving distance to Zhuanghe City. The immediate locality is a rural area.

2. Pursuant to 2 State-owned Land Use Rights Certificates, Zhuang Guo Yong (2008) Di No. 0601 and Zhuang Guo Yong (2008) Di No. 0603, the land use rights of the property with a total site area of approximately 15,182.32 sq.m. have been granted to Zhuanghe City Yongsheng Cement Manufacturing Company Limited (莊河市永盛水泥製造有限公司) (now known as Zhuanghe Tianrui Cement Company Limited (莊河天瑞水泥有限公司) ("Zhuanghe Cement")) for terms with the latest expiry date on 21 December 2056 for industrial use.

3. Pursuant to 5 Building Ownership Certificates, the building ownership rights of 5 buildings of the property with a total GFA of approximately 7,203.23 sq.m. are legally owned by Zhuanghe Cement.

4. For the remaining 8 buildings of the property, we have not been provided with any title certificates.

5. In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 4 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the valuation date would be in the sum of approximately RMB2,600,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred in the market.

6. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Zhuanghe Cement and Zhuanghe Cement has the rights to legally occupy, use, transfer and lease the land parcel of the property in accordance with the land use rights certificate and the PRC laws; and

   b. The buildings of the property with relevant building ownership certificates are legally owned by Zhuanghe Cement and Zhuanghe Cement has the rights to legally occupy, use, transfer and lease these buildings.

7. Zhuanghe Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
17.	A parcel of land (under land use rights certificate: Ru Guo Yong (2006) Zi Di No. 0091), various buildings and structures located in the north of railway station, Linru Town, Ruzhou City, Henan Province, The PRC 位於中國河南省汝州市臨汝鎮火車站北之一塊土地(土地證：汝國用(2006)字第0091號)、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 329,891.88 sq.m. and 161 buildings and various structures completed in various stages between 2000 and 2008 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 144,595.15 sq.m. The land use rights of the property have been granted for a term expiring on 2 December 2049 for industrial use.	The property is occupied by the Group for cement production purpose.	179,300,000

Notes:

1. The property is located at Linru Town which is about 1 hour's driving distance to Ruzhou City. The immediate locality is an industrial area.

2. Pursuant to a State-owned Land Use Rights Certificate, Ru Guo Yong (2006) Zi Di No.0091, the land use rights of the property with a site area of approximately 329,891.88 sq.m. have been granted to Tianrui Group Cement Company Limited (天瑞集團水泥有限公司) ("Tianrui Cement") for a term expiring on 2 December 2049 for industrial use.

3. Pursuant to 100 Building Ownership Certificates, the building ownership rights of 146 buildings of the property with a total GFA of approximately 132,843.15 sq.m. are legally owned by Tianrui Cement.

4. For the remaining buildings of the property with a total GFA of approximately 11,752 sq.m., we have not been provided with any title certificates.

5. In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 4 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the valuation date would be in the sum of approximately RMB760,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred in the market.

6. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the land parcel of the property are legally vested in Tianrui Cement and Tianrui Cement has the rights to legally occupy and use the land parcel of the property in accordance with the Land Use Rights Certificate and the PRC laws;

   b. The buildings of the property with Building Ownership Certificates are legally owned by Tianrui Cement and Tianrui Cement has the rights to legally occupy and use these buildings in accordance with the Building Ownership Certificates and the PRC laws; and

   c. According to a Confirmation Letter issued by Ruzhou Real Estate Administration Department dated 21 March 2011, the buildings with a total GFA of 11,752 sq.m. are temporary buildings and it is not required to obtain relevant Building Ownership Certificates. The absence of relevant Building Ownership Certificates will not affect the operation of Tianrui Cement and Tianrui Cement would not be subject to penalty.

7. Tianrui Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
18.	A parcel of land (under land use rights certificate: Song Guo Yong (2011) Di No. 0029), various buildings and structures located in Bai Po Village, Ku Qu Township, Song County, Luoyang City, Henan Province, The PRC 位於中國河南省洛陽市嵩縣庫區鄉柏坡村之一塊土地(土地證：嵩國用(2011)第0029號)、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 5,162 sq.m. and 3 buildings and various ancillary structures completed in 2010 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 153.37 sq.m. The land use rights of the property have been granted for a term expiring in August 2041 for industrial use.	The property is occupied by the Group for cement sales purpose.	4,480,000

Notes:

1. The property is located at Song County which is about 1.5 hours' driving distance to Luoyang City. The immediate locality is an industrial area.

2. Pursuant to a State-owned Land Use Rights Certificate, Song Guo Yong (2011) Di No. 0029, the land use rights of the property with a site area of approximately 5,162 sq.m. have been granted to Tianrui Group Cement Company Limited Songxian Branch (天瑞集團水泥有限公司嵩縣分公司) ("Tianrui Songxian") for a term expiring in August 2041 for industrial use.

3. For the buildings of the property with a total GFA of approximately 153.37 sq.m., we have not been provided with any title certificates.

4. In the valuation of the property, we have attributed no commercial value to the buildings of the property stated in Note 3 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the valuation date would be in the sum of approximately RMB70,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred in the market.

5. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Tianrui Songxian and Tianrui Songxian has the rights to legally occupy, use, transfer, lease and mortgage the land use rights of the property in accordance with the land use rights certificate and the PRC laws; and

b. According to a Letter issued by Song County Real Estate Administration Bureau (嵩縣房地產管理局) dated 28 September 2011, the buildings of the property with a total GFA of 153.37 sq.m. are temporary buildings and it is not required to obtain Building Ownership Certificates.

6. Tianrui Songxian is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
19.	A parcel of land (Land Parcel No. Ning Gua 2009-03), various buildings and structures located in Yuanzhuang Village, Liuhe Town, Ningling County, Shangqiu City, Henan Province, The PRC 位於中國河南省商丘市寧陵縣柳河鎮袁庄村之一塊土地(地號：寧掛2009-03)、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 36,256.85 sq.m. and 25 buildings and various structures completed in various stages between 2010 and 2015 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 8,060.98 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 29 October 2059 for industrial use.	The property is occupied by the Group for cement grinding purpose.	37,200,000

Notes:

1. The property is located at Liuhe Town which is about 1 hour's driving distance to Shangqiu City. The immediate locality is an industrial area.

2. Pursuant to a State-owned Construction Land Use Rights Grant Contract, Ning Gua No. 2009-03 dated 28 September 2009, the land use rights of a land parcel with a site area of approximately 36,256.85 sq.m. were contracted to be granted to Tianrui Group Ningling Cement Company Limited (天瑞集團寧陵水泥有限公司) ("Ningling Cement") at a land premium of RMB3,046,600 for a term of 50 years commencing on 30 November 2009 for industrial use.

3. Pursuant to a State-owned Land Use Rights Certificate, Ning Guo Yong (2009) Di No. 2415-011 dated 30 October 2009, the land use rights of the property with a site area of approximately 36,256.85 sq.m. have been granted to Ningling Cement for a term expiring on 29 October 2059 for industrial use.

4. Pursuant to a Building Ownership Certificate, Ning Ling Xian Fang Quan Zheng 2011 Zi Di No. 1100000120 registered on 22 February 2011, the building ownership rights of 25 buildings of the property with a total GFA of approximately 8,060.98 sq.m. are legally owned by Ningling Cement.

5. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Ningling Cement and Ningling Cement has the rights to legally occupy, use, transfer and lease the land parcel of the property in accordance with the State-owned Land Use Rights Certificate and the PRC laws; and

b. The buildings of the property are legally owned by Ningling Cement and Ningling Cement has the rights to legally occupy and use these buildings in accordance with the Buildings Ownership Certificate and the PRC laws.

6. Ningling Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
20.	A parcel of land (under land use rights certificate: Zhou Kou Shi Guo Yong (2004) Zi Di No. 093), various buildings and structures located at the north of Zhoulei Road, Guanpo Village, Nanjiao Township, Chuanhui District, Zhoukou City, Henan Province, The PRC 位於中國河南省周口市川匯區南郊鄉官坡村周漯路以北之一塊土地(土地證：周口市國用(2004)字第093號)、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 170,949 sq.m. and 21 buildings and various structures completed in various stages between 2005 and 2014 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 14,326.6 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 19 October 2054 for industrial use.	The property is occupied by the Group for cement grinding purpose.	123,700,000

Notes:

1. The property is located at Guanpo Village which is about 2.5 hours' driving distance to Zhengzhou City. The immediate locality is an industrial area.

2. Pursuant to a State-owned Land Use Rights Grant Contract No. (2004)-30 dated 19 October 2004, the land use rights of a land parcel with a site area of approximately 170,949 sq.m. were contracted to be granted to Tianrui Group Zhoukou Cement Company Limited (天瑞集團周口水泥有限公司) ("Zhoukou Cement") at a land premium of RMB8,853,100 for a term expiring on 13 December 2028 for industrial use.

3. Pursuant to a State-owned Land Use Rights Certificate, Zhou Kou Shi Guo Yong (2004) Zi Di No. 093, the land use rights of the property with a site area of approximately 170,949 sq.m. have been granted to Zhoukou Cement for a term of 50 years expiring on 19 October 2054 for industrial use.

4. Pursuant to 8 Building Ownership Certificates, Fang Quan Zheng Zhou Fang Zi Di Nos. 0035706 to 0035708 and Zhou Fang Quan Zheng Chuan Hui Qu Zi Di Nos. 2011010952 to 2011010956, the building ownership rights of 18 buildings of the property with a total GFA of approximately 13,536.2 sq.m. are legally owned by Zhoukou Cement.

5. For the remaining 3 buildings of the property with a total GFA of approximately 790.4 sq.m., we have not been provided with any title certificates.

6. In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 5 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the valuation date would be in the sum of approximately RMB350,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred in the market.

7. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Zhoukou Cement and Zhoukou Cement has the rights to legally occupy and use the land parcel in accordance with the State-owned Land Use Rights Certificates and the PRC laws;

   b. The buildings of the property with title certificates are legally owned by Zhoukou Cement and Zhoukou Cement has the rights to legally occupy and use these buildings in accordance with the Building Ownership Certificate and the PRC laws; and

   c. According to a Confirmation Letter issued by Zhoukou City Real Estate Title & Registry Administration Department (周口市房地產產權產籍監理處) dated 20 March 2011, the buildings stated in Note 5 are not required to obtain relevant Building Ownership Certificates. The absence of relevant Building Ownership Certificates will not affect the production and operation of Zhoukou Cement.

8. Zhoukou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
21.	2 parcels of land (under land use rights certificates: Guo Yong (2008) Zi Di No. 0005804 & Xu Chang Xian Guo Yong (2011) Zi Di No. 2011107), various buildings and structures located at the south of Ruibeika Avenue and the west of Weiwu Avenue, Jiangguanchi Town Xuchang County, Xuchang City, Henan Province, The PRC 位於中國河南省許昌市許昌縣將官池鎮瑞貝卡大道以南、魏武大道以西之兩塊土地(土地證：國用(2008)字第0005804號及許昌縣國用(2011)字第2011107號)、若干房屋及構築物	The property comprises 2 land parcels ("Land Parcel I" and "Land Parcel II") with a total site area of approximately 79,630.74 sq.m. and 10 buildings and various structures completed in various stages between 2008 and 2014 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 20,519.8 sq.m. The land use rights of the property have been granted for terms with the latest expiry date on 21 September 2061 for industrial use.	The property is occupied by the Group for cement grinding purpose.	104,300,000

Notes:

1. The property is located at Jiangguanchi Town which is about 1 hour's driving distance to the Zhengzhou City. The immediate locality is an industrial area.

2. Pursuant to a State-owned Land Use Rights Grant Contract, Yu (Xuchang) Chu Rang (2008 Nian) Di No. 0004 dated 20 August 2008, the land use rights of Land Parcel I with a site area of approximately 60,700.21 sq.m. were contracted to be granted to Tianrui Group Xuchang Cement Company Limited (天瑞集團許昌水泥有限公司) ("Xuchang Cement") at a land premium of RMB14,600,000 for a term of 50 years for industrial use.

3. Pursuant to a State-owned Land Use Rights Certificate, Guo Yong (2008) Zi Di No. 0005804 dated 2 October 2008, the land use rights of Land Parcel I of the property with a site area of approximately 60,700.21 sq.m. have been granted to Xuchang Cement for a term expiring on 14 September 2058 for industrial use.

4. Pursuant to a State-owned Land Use Rights Certificate, Xu Chang Xian Guo Yong (2011) Zi Di No. 2011107, the land use rights of Land Parcel II of the property with a site area of approximately 18,930.53 sq.m. have been granted to Xuchang Cement for a term expiring on 21 September 2061 for industrial use.

5. Pursuant to 10 Building Ownership Certificates, Xu Xian Fang Quan Zheng Xu Chang Xian Zi Di Nos. A0081963 to A0081972, the building ownership rights of 10 buildings of the property with a total GFA of approximately 20,519.8 sq.m. are legally owned by Xuchang Cement.

6. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Xuchang Cement and Xuchang Cement has the rights to legally occupy and use the land parcel in accordance with the State-owned Land Use Rights Certificates and the PRC laws; and

   b. The buildings of the property with title certificates are legally owned by Xuchang Cement and Xuchang Cement has the rights to legally occupy and use these buildings in accordance with the Building Ownership Certificate and the PRC laws.

7. Xuchang Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
22.	A parcel of land (Land Parcel No. Yu Zheng Tu Wei (2004) 10), various buildings and structures located at the west of Pingyuan Road and the north of Longhai South Road, Liangyuan District, Shangqiu City, Henan Province, The PRC 位於中國河南省商丘市梁園區平原路西側、隴海南路北側之一塊土地（地號：豫政土委(2004)10號）、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 161,549 sq.m. and 27 buildings and various structures completed in various stages between 2005 and 2015 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 15,567.04 sq.m. The land use rights of the property have been granted for a term expiring on 7 September 2054 for industrial use.	The property is occupied by the Group for cement grinding purpose.	63,900,000

Notes:

1. The property is located in Liangyuan District which is about 20 minutes' driving distance to Shangqiu City. The immediate locality is an industrial area.

2. Pursuant to a State-owned Land Use Rights Certificate, Shang Guo Yong (2004) Zi Di No. 9766 dated 23 September 2004, the land use rights of property with a site area of approximately 161,549 sq.m. have been granted to Shangqiu Tianrui Cement Company Limited (商丘天瑞水泥有限公司) ("Shangqiu Cement") for a term expiring on 7 September 2054 for industrial use.

3. Pursuant to 2 Building Ownership Certificates, Shang Qiu Shi Fang Quan Zheng 2007 Zi Di No. 0020526 and Shang Qiu Shi Fang Quan Zheng 2011 Zi Di No. 0074832, the building ownership rights of 17 buildings of the property with a total GFA of approximately 14,281.63 sq.m. are legally owned by Shangqiu Cement.

4. For the remaining 10 buildings of the property with a total GFA of approximately 1,285.41 sq.m., we have not been provided with any title certificates.

5. In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 4 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the valuation date would be in the sum of approximately RMB620,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred in the market.

6. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Shangqiu Cement and Shangqiu Cement has the rights to legally occupy and use, the land parcel of the property in accordance with the State-owned Land Use Rights Certificate and the PRC laws;

   b. The buildings of the property with Building Ownership Certificates are legally owned by Shangqiu Cement and Shangqiu Cement has the rights to legally occupy and use these buildings in accordance with the Building Ownership Certificates and the PRC laws; and

   c. According to a Confirmation Letter issued by Shangqiu City Real Estate Transaction Administration Department (商丘市房地產交易管理處) dated 12 March 2011, the buildings with a total GFA of 1,285.41 sq.m. are not required to obtain relevant Building Ownership Certificates and the absence of Building Ownership Certificates would not affect the operation of Shangqiu Cement.

7. Shangqiu Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
23.	2 parcels of land (under land use rights certificates: Ru Guo Yong (2006) Di Nos. 0126 & 0127), various buildings and structures located at the North of Rong Gong Road, Wangzhai Township, Ruzhou City, Henan Province, The PRC 位於中國河南省汝州市王寨鄉戎工路北側之兩塊土地(土地證：汝國用(2006)第0126及0127號)、若干房屋及構築物	The property comprises 2 land parcels with a total site area of approximately 323,301.08 sq.m. and 60 buildings and various structures completed in various stages between 2003 and 2014 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 94,307.42 sq.m. The land use rights of the property have been granted for a term expiring on 30 September 2052 for industrial use.	The property is occupied by the Group for cement production purpose.	217,600,000

Notes:

1. The property is located at Wangzhai Township which is about 30 minutes' driving distance to Ruzhou City. The immediate locality is an industrial area.

2. Pursuant to 2 State-owned Land Use Rights Certificates, Ru Guo Yong (2006) Di Nos. 0126 & 0127 both dated 2 December 2006, the land use rights of the property with a total site area of approximately 323,301.08 sq.m. have been granted to Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司) ("Ruzhou Cement") for a term expiring on 30 September 2052 for industrial use.

3. Pursuant to 56 Building Ownership Certificates, the building ownership rights of 59 buildings of the property with a total GFA of approximately 93,782.42 sq.m. are legally owned by Ruzhou Cement.

4. For the remaining building of the property with a GFA of approximately 525 sq.m., we have not been provided with any title certificates.

5. In the valuation of this property, we have attributed no commercial value to the building stated in Note 4 as relevant title certificates of the building have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the building (excluding the land) as at the valuation date would be in the sum of approximately RMB520,000 assuming all relevant title certificates have been obtained and the building could be freely transferred in the market.

6. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Ruzhou Cement and Ruzhou Cement has the rights to legally occupy and use the land parcels in accordance with the State-owned Land Use Rights Certificates and the PRC laws; and

   b. The buildings of the property with Building Ownership Certificates are legally owned by Ruzhou Cement and Ruzhou Cement has the rights to legally occupy and use these buildings in accordance with the Building Ownership Certificates and the PRC laws.

7. Ruzhou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
24.	Various buildings (under building ownership certificates: Ru Fang Quan Zheng Ru Zhou Shi Zi Di Nos. 2011000792, 2011000793 & 2011000794) and structures located within Ruzhou Power Plant, Wangzhai Township, Ruzhou City, Henan Province, The PRC 位於中國河南省汝州市王寨鄉汝洲市火電廠內之若干房屋(房權證：汝房權證汝州市字第2011000792、2011000793及2011000794號)及構築物	The property comprises 6 buildings and various ancillary structures completed in various stages between 2004 and 2008. The total gross floor area ("GFA") of the buildings of the property is approximately 3,258.88 sq.m.	The property is occupied by the Group for industrial purpose.	No Commercial Value

Notes:

1. The property is located at Wangzhai Township which is about 30 minutes' driving distance to Ruzhou City. The immediate locality is an industrial area.

2. Pursuant to an Equipment & Plant Purchase Contract and an Assets Valuation Report dated 1 July 2008 and 12 August 2008 respectively, the property together with relevant machinery and equipment were contracted to be transferred to Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司) ("Ruzhou Cement") at a total consideration of RMB30,524,600.

3. Pursuant to 3 Building Ownership Certificates, Ru Fang Quan Zheng Ru Zhou Shi Zi Di Nos. 2011000792 to 2011000794, the building ownership rights of 3 buildings of the property with a total GFA of approximately 2,888.88 sq.m. are legally owned by Ruzhou Cement.

4. For the remaining 3 buildings of the property with a total GFA of approximately 370 sq.m., we have not been provided with any title certificates.

5. In the valuation of this property, we have attributed no commercial value to the property as the land use rights of the land parcel on which the property is erected are not vested in the Group and the property could not be freely transferred.

6. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The buildings of the property with title certificates are legally vested in Ruzhou Cement and Ruzhou Cement has the rights to legally occupy and use the buildings in accordance with the Building Ownership Certificates and the PRC laws;

   b. The buildings of the property with title certificates could not be transferred without the approval from the grantee of the relevant land parcel; and

   c. According to a Confirmation Letter issued by Ruzhou City Real Estate Administration Department (汝州市房產管理處) dated 27 September 2011, the remaining 3 buildings of the property with a total GFA of approximately 370 sq.m. are temporary buildings, and the absence of Building Ownership Certificates would not affect the operation of Ruzhou Cement and Ruzhou Cement would not be subject to penalty.

7. Ruzhou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
25.	2 parcels of land (Land Parcel Nos. 40183-01 & 40183-02), various buildings and structures located in Tiexi Industrial Zone, Weihui City, Henan Province, The PRC 位於中國河南省衛輝市鐵西工業區之兩塊土地(地號：40183-01及40183-02)、若干房屋及構築物	The property comprises 2 land parcels with a total site area of approximately 336,552 sq.m. and 23 buildings and various structures completed in various stages between 2005 and 2015 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 17,030.08 sq.m. The land use rights of the property have been granted for a common term expiring on 17 April 2058 for industrial use.	The property is occupied by the Group for cement production purpose	338,600,000

Notes:

1. The property is located at Tiexi Industrial Zone in Weihui City which is about 70 minutes' driving distance to the airport in Zhengzhou City. The immediate locality is an industrial area.

2. Pursuant to 2 State-owned Land Use Rights Certificates, Wei Guo Yong (2008) Tu Di Nos. 40183-01 and 40183-02, the land use rights of the property with a total site area of approximately 336,552 sq.m. have been granted to Weihui City Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司) ("Weihui Cement") for a common term expiring on 17 April 2058 for industrial use.

3. Pursuant to 20 Building Ownership Certificates, Fang Quan Zheng Qi Ta Zi Di Nos. 06500095 to 06500098 and Fang Quan Zheng Zi Di Nos. 11500389 to 11500404, the building ownership rights of 20 buildings of the property with a total GFA of approximately 16,420.41 sq.m. are legally owned by Weihui Cement.

4. For the remaining 3 buildings of the property with a total GFA of approximately 609.67 sq.m., we have not been provided with any title certificates.

5. In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 4 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the valuation date would be in the sum of approximately RMB400,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred in the market.

6. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Weihui Cement and Weihui Cement has the rights to legally occupy and use the land parcels of the property in accordance with the State-owned Land Use Rights Certificates and the PRC laws;

   b. The buildings of the property with Building Ownership Certificates are legally owned by Weihui Cement and Weihui Cement has the rights to legally occupy and use these buildings in accordance with the Building Ownership Certificates and the PRC laws; and

   c. For the buildings without relevant Building Ownership Certificates, the relevant government authorities have the rights to order to demolish these buildings.

7. Weihui Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
26.	6 parcels of land (Land Parcel Nos. 2-13-47 to 2-13-51), various buildings and structures located in Shaozhai Village and Sigou Village, Cuimiao Town, Xingyang City, Henan Province, The PRC 位於中國河南省滎陽市崔廟鎮邵寨村及寺溝村之六塊土地(地號：2-13-47至2-13-51)、若干房屋及構築物	The property comprises 6 land parcels ("Land Parcel I", "Land Parcel II", "Land Parcel III", "Land Parcel IV", "Land Parcel V" and "Land Parcel VI") with a total site area of approximately 426,903.26 sq.m. and 16 buildings and various structures completed in various stages between 2009 and 2010 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 20,478.74 sq.m. The land use rights of Land Parcel I, Land Parcel II, Land Parcel III, Land Parcel IV and Land Parcel V have been granted for a common term expiring on 14 December 2058 for industrial use. The land use rights of Land Parcel VI have been granted for a term expiring on 21 December 2062 for industrial use.	The property is occupied by the Group for cement production purpose	457,600,000

Notes:

1. The property is located in Cuimiao Town which is about 50 minutes' driving distance to the airport in Zhengzhou City. The immediate locality is an industrial area.

2. Pursuant to 5 State-owned Construction Land Use Rights Grant Contracts, Yu (Xing Yang) Chu Rang (2008 Nian) Di Nos. 0012 to 0016, the land use rights of Land Parcel I, Land Parcel II, Land Parcel III, Land Parcel IV and Land Parcel V with a total site area of approximately 127,790.2 sq.m. were contracted to be granted to Tianrui Group Xingyang Cement Company Limited (天瑞集團滎陽水泥有限公司) ("Xingyang Cement") (now known as Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司) ("Zhengzhou Cement (Xingyang)")) at a total land premium of RMB15,490,000 for industrial use.

3. Pursuant to 7 State-owned Land Use Rights Certificates, Xing Guo Yong (2008) Di Nos. 0093 to 0097 and Xing Guo Yong (2015) Di Nos. 0077 to 0078, the land use rights of the property with a total site area of approximately 426,903.26 sq.m. have been granted to Xingyang Cement for various terms with the latest expiry date on 21 December 2062 for industrial use.

4. Pursuant to 13 Building Ownership Certificates, the building ownership rights of 13 buildings of the property with a total GFA of approximately 20,020.74 sq.m. are legally owned by Zhengzhou Cement (Xingyang).

5. For the remaining 3 buildings of the property with a total GFA of approximately 458 sq.m., we have not been provided with any title certificates.

6. Pursuant to a Construction Works Planning Permit, Jian Zi Di No. 410182200800602108114, portions of the property with a total GFA of approximately 65,159.63 sq.m. were permitted to be developed by Xingyang Cement.

7. Pursuant to a Construction Works Commencement Permit, No. 410121200812280101, the construction work of portions of the property with a total GFA of approximately 65,159.6 sq.m. was permitted to commence.

8. In the valuation of this property, we have attributed no commercial value to the remaining 3 buildings of the property with a total GFA of approximately 458 sq.m. stated in Note 5 as relevant title certificates of these buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land) as at the valuation date would be in the sum of approximately RMB1,100,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred in the market.

9. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Zhengzhou Cement (Xingyang) and Zhengzhou Cement (Xingyang) has the rights to legally occupy, use, transfer and lease the land parcels in accordance with the State-owned Land Use Rights Certificates and the PRC laws;

   b. Zhengzhou Cement (Xingyang) should apply for changing name of the grantee stated in relevant State-owned Land Use Rights Certificates;

   c. The buildings of the property with relevant building ownership certificates are legally owned by Zhengzhou Cement (Xingyang) and Zhengzhou Cement (Xingyang) has the rights to legally occupy, use, transfer and lease the buildings of the property in accordance with the building ownership certificates and the PRC laws; and

   d. According to a Confirmation Letter issued by Xingyang City House Indemnification & Real Estate Center (滎陽市住房保障和房地產中心) dated 21 October 2011, the remaining 3 buildings of the property stated in Note 5 are not required to obtain Building Ownership Certificates, and the absence of Building Ownership Certificates would not affect the operation of Zhengzhou Cement (Xingyang) and Zhengzhou Cement (Xingyang) would not be subject to penalty.

10. Zhengzhou Cement (Xingyang) is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
27.	A parcel of land (under land use rights certificate: Yu Guo Yong (2011) Di No. 12–0535), various buildings and structures located in Liangbei Town, the west of Yuzhou City Industrial Park, Henan Province, The PRC 位於中國河南省禹州市西工業園區梁北鎮之一塊土地(土地證：禹國用(2011)第12–0535號)、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 323,800 sq.m. and 41 buildings and various ancillary structures completed in various stages between 2007 and 2009 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 66,733.59 sq.m. The land use rights of the property have been granted for a term expiring on 1 September 2061 for industrial use.	The property is occupied by the Group for cement production purpose.	243,700,000

Notes:

1. The property is located at Liangbei Town which is about 15 minutes' driving distance to Yuzhou City. The immediate locality is an industrial area.

2. Pursuant to a State-owned Land Use Rights Certificate, Yu Guo Yong (2011) Di No. 12-0535, the land use rights of the property with a site area of approximately 323,800 sq.m. have been granted to Yuzhou City Zhongjin Cement Company Limited (禹州市中錦水泥有限公司) ("Yuzhou Cement") for a term expiring on 1 September 2061 for industrial use.

3. Pursuant to 21 Building Ownership Certificates, the building ownership rights of 41 buildings of the property with a total GFA of approximately 66,733.59 sq.m. are legally owned by Yuzhou Cement.

4. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The land use rights of the property are legally vested in Yuzhou Cement and Yuzhou Cement has the rights to legally occupy, use, transfer, lease and mortgage the land use rights of the property in accordance with the land use rights certificate and the PRC laws; and

   b. The buildings of the property are legally owned by Yuzhou Cement and Yuzhou Cement has the rights to legally occupy, use, transfer, lease and mortgage these buildings in accordance with the Building Ownership Certificates and the PRC laws.

5. Yuzhou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
28.	A parcel of land (Land Parcel No. 8-9), various buildings and structures located in Baisha Town, Zhongmu County, Zhengzhou City, Henan Province, The PRC 位於中國河南省鄭州市中牟縣白沙鎮之一塊土地(地號：8-9)、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 118,816.3 sq.m. and 19 buildings and various structures completed in various stages between 2005 and 2015 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 19,794.24 sq.m. The land use rights of the property have been granted for a term expiring in March 2054 for industrial use.	The property is occupied by the Group for cement production purpose	115,300,000

Notes:

1. The property is located Baisha Town which is about 50 minutes' driving distance to the airport in Zhengzhou City. The immediate locality is an industrial area.

2. Pursuant to a State-owned Land Use Rights Certificate, Mu Guo Yong (2004) Di No. 369, the land use rights of the property with a site area of approximately 118,816.3 sq.m. have been granted to Zhengzhou Tianrui Cement Company Limited (鄭州天瑞水泥有限公司) ("Zhengzhou Tianrui") for a term expiring in March 2054 for industrial use.

3. Pursuant to 29 Building Ownership Certificates, Mu Fang Quan Zheng Zi Di Nos. 20080185 to 20080210, 20112197 to 20112198 and 20116128, the building ownership rights of 16 buildings of the property with a total GFA of approximately 19,736.5 sq.m. are legally owned by Zhengzhou Tianrui.

4. For the remaining 3 buildings of the property with a total GFA of approximately 57.74 sq.m., we have not been provided with any title certificates.

5. In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 4 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the valuation date would be in the sum of approximately RMB100,000 assuming all relevant title certificates of the buildings have been obtained and the buildings could be freely transferred in the market.

6. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

    a. The land use rights of the land parcel of the property are legally vested in Zhengzhou Tianrui and Zhengzhou Tianrui has the rights to legally occupy, use, transfer and lease the land parcel in accordance with the State-owned Land Use Rights Certificate and the PRC laws;

    b. The buildings of the property with Building Ownership Certificates are legally owned by Zhengzhou Tianrui and Zhengzhou Tianrui has the rights to legally occupy, use, transfer and lease these buildings in accordance with the Building Ownership Certificates and the PRC laws; and

    c. For the buildings without relevant Building Ownership Certificates, the relevant government authorities have the rights to order to demolish these buildings.

7. Zhengzhou Tianrui is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
29.	A parcel of land (Land Parcel No. 1201090070041000000), various buildings and structures located in Gangxi Street, Industrial Park, Dagang District, Tianjin, The PRC 位於中國天津市大港區港西街工業園之一塊土地（地號：1201090070041000000）、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 134,901 sq.m. and 6 buildings and various structures completed in various stages between 2010 and 2012 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 13,684.93 sq.m. The land use rights of the property have been granted for a term expiring on 14 March 2061 for industrial use.	The property is occupied by the Group for cement production purpose.	355,100,000 60% interest attributable to the Group: RMB213,060,000

Notes:

1. The property is located in Dagang District in Tianjin which is about 70 minutes' driving distance to the airport in Tianjin. The immediate locality is an industrial area.

2. Pursuant to a Tianjin City State-owned Construction Land Use Rights Grant Contract entered into between Tianjin City Binhai New Area Planning, Land & Resources Administration Bureau (天津市濱海新區規劃和國土資源管理局) and Tianjin Tianrui Cement Company Limited (天津天瑞水泥有限公司) ("Tianjin Cement") dated 7 March 2011, the land use rights of the property with a site area of approximately 134,901 sq.m. were contracted to be granted to Tianjin Cement at a land premium of RMB42,700,000 for a term of 50 years for industrial use.

3. Pursuant to a Tianjin City Real Estate Title Certificate, Fang Di Zheng Jin Zi Di No. 109051100362, the land use rights of the property with a site area of approximately 134,901 sq.m. have been granted to Tianjin Cement for a term expiring on 14 March 2061 for industrial use.

4. Pursuant to a Construction Works Planning Permit, No. 2011 Da Gang Jian Zheng 0031, the buildings with a total GFA of approximately 29,149.47 sq.m. are permitted to be developed by Tianjin Cement.

5. Pursuant to 4 Construction Works Commencement Permits, Nos. 12109011201109004 to 12109011201109007, the construction works of the property were permitted to commence.

6. For the 6 buildings of the property with a total GFA of approximately 13,684.93 sq.m., we have not been provided with any title certificates.

7. In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 6 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the valuation date would be in the sum of approximately RMB24,300,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred in the market.

8. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   The land use rights of the land parcel of the property are legally vested in Tianjin Cement and Tianjin Cements has the rights to legally occupy, use, transfer and lease the land parcel of the property in accordance with the Real Estate Title Certificate and the PRC laws.

9. Tianjin Cement is a 60%-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
30.	A parcel of land (under land use rights certificate: Yu Guo Yong (2009) Di No. 02–0213), various buildings and structures located in the second group of Beidongzhuang Village and the ninth and tenth groups of Chendong Village, Qianjing Township, Yuzhou City, Henan Province, The PRC 位於中國河南省禹州市淺井鄉北董庄村二組及陳垌村九及十組之一塊土地(土地證：禹國用(2009)第02–0213號)、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 199,999.95 sq.m. and 21 buildings and various ancillary structures completed in about 2012. The total gross floor area ("GFA") of the buildings of the property is approximately 24,115.32 sq.m. The land use rights of the property have been granted for a term expiring in 2059 for industrial use.	The property is occupied by the Group for cement production purpose.	432,340,000

Notes:

1. The property is located at Qianjing Township which is about 1 hour's driving distance to Yuzhou City. The immediate locality is an industrial area.

2. Pursuant to a State-owned Land Use Rights Grant Contract, Yu (Yuzhou) Chu Rang (2009) Di No. 0055, the land use rights of the property with a site area of approximately 200,000 sq.m. were contracted to be granted to Yuzhou City Zhongjin Cement Company Limited (禹州市中錦水泥有限公司) ("Yuzhou Cement") at a land premium of RMB35,000,000 for industrial use.

3. Pursuant to a State-owned Land Use Rights Certificate, Yu Guo Yong (2009) Di No.02-0213 dated 18 December 2009, the land use rights of the property with a site area of approximately 199,999.95 sq.m. have been granted to Yuzhou Cement for a term expiring in 2059 for industrial use.

4. For the 21 buildings of the property with a total GFA of approximately 24,115.32 sq.m., we have not been provided with any title certificates.

5. In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 4 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the valuation date would be in the sum of approximately RMB61,260,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred in the market.

6. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   The land use rights of the property are legally vested in Yuzhou Cement and Yuzhou Cement has the rights to legally occupy, use, transfer and lease the land parcel in accordance with the State-owned Land Use Rights Certificate and the PRC laws.

7. Yuzhou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
31.	4 parcels of land (Land Parcel Nos. 9990126-01, 9990126-2, 990311 & 05189), various buildings and structures located in Xiaohe Village, Maoqi Town, Haicheng City, Liaoning Province, The PRC 位於中國遼寧省海城市毛祁鎮小河村之四塊土地(地號：9990126-01、9990126-2、990311及05189)、若干房屋及構築物	The property comprises 4 land parcels with a total site area of approximately 179,384.8 sq.m. and 30 buildings and various structures completed in various stages between 2009 and 2015 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 20,513.41 sq.m. The land use rights of the property have been granted for various terms with the latest expiry date on 6 August 2047 for industrial use.	The property is occupied by the Group for cement production purpose.	215,900,000

Notes:

1. The property is located at Xiaohe Village of Maoqi Town in Haicheng City which is within about 1.5 hours' driving distance from Shenyang City. The immediate locality is an industrial area intermingled with some rural and village settlements.

2. Pursuant to 4 State-owned Land Use Rights Certificates, Haicheng Guo Yong (1999) Di No. 0311, Haicheng Guo Yong (2005) Di No. 189, and Haicheng Guo Yong (1999) Di Nos. 126-01 and 126-02, the land use rights of the property with a total site area of approximately 179,384.8 sq.m. have been granted to Haicheng City Di Yi Cement Company Limited (海城市第一水泥有限公司) ("Haicheng Di Yi Cement") for various terms expiring on 25 April 2029, 25 February 2033 and 6 August 2047 respectively for industrial use.

3. Pursuant to 13 Building Ownership Certificates, Fang Quan Zheng Zi Di Nos. FB-030-0671 to FB-030-0673, FB-030-0675, LB-030-0676 to LB-030-0679, FB-030-0681 to FB-030-0683, FB-030-0686 and FB-030-0687, the building ownership rights of 13 buildings of the property with a total GFA of approximately 15,929.01 sq.m. are legally owned by Haicheng Di Yi Cement.

4. For the remaining 17 buildings of the property with a total GFA of approximately 4,584.4 sq.m., we have not been provided with any title certificates.

5. In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 4 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the valuation date would be in the sum of approximately RMB19,300,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred in the market.

6. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

    a. The land use rights of the property are legally vested in Haicheng Di Yi Cement and Haicheng Di Yi Cement has the rights to legally occupy, use, transfer and lease the land parcels of the property in accordance with the State-owned Land Use Rights Certificates and the PRC laws;

    b. The buildings of the property with Building Ownership Certificates are legally owned by Haicheng Di Yi Cement and Haicheng Di Yi Cement has the rights to legally occupy, use, transfer and lease these buildings in accordance with the Building Ownership Certificates and the PRC laws; and

    c. For the buildings without relevant Building Ownership Certificates, the relevant government authorities have the rights to order to demolish these buildings.

7. Haicheng Di Yi Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group II — Property partly held and occupied and partly leased by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
32.	2 parcels of land (Land Parcel No. 4-(1)-19), various buildings and structures located in the west of Dianchang Road, Zhanhe District, Pingdingshan City, Henan Province, The PRC 位於中國河南省平頂山市湛河區電廠路西段之兩塊土地（地號：4-(1)-19）、若干房屋及構築物	The property comprises 2 land parcels with a total site area of approximately 56,516 sq.m. and 9 buildings and various structures completed in various stages between 2010 and 2015 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 8,006.87 sq.m.	The property is occupied by the Group for cement production purpose.	No Commercial Value

Notes:

1. The property is located at Zhanhe District which is about 15 minutes' driving distance to Pingdingshan City. The immediate locality is an industrial area.

2. For the buildings of the property with a GFA of approximately 8,006.87 sq.m., we have not been provided with any title certificates.

3. Pursuant to a Lease Contract entered into between Pingdingshan Yiaomeng Power Generation Company Limited ("Yiaomeng Power Generation") (平頂山姚孟發電有限責任公司) and Pingdingshan Yiaomeng Power Group Company Limited ("Yiaomeng Power Group") (平頂山姚孟電力集團有限公司) and a Supplementary Lease Contract Agreement between Yiaomeng Power Group and Pingdingshan Tianrui Yaodian Cement Company Limited (平頂山天瑞姚電水泥有限公司) ("Yaodian Cement"), a land parcel of the property is leased to Yaodian Cement for a term of 10 years expiring on 20 July 2019 at an annual rent of RMB200,000.

4. Pursuant to a Lease Contract entered into between Hunan Province Guangrui Real Estate Development Company (河南省廣瑞房地產開發有限公司) ("Hunan Guangrui") and Yaodian Cement, the remaining land parcel of the property is leased to Yaodian Cement at a term of 20 years expiring on 14 May 2030 at an annual rent of RMB650,000.

5. In the valuation of this property, we have attributed no commercial value to the property as the land use rights of the property are not vested in Yaodian Cement.

6. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. The Lease Contracts are legally valid; and

   b. Yaodian Cement has the rights to use the land parcels of the property in accordance with the Lease Contracts.

7. Yaodian Cement is a 91%-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group III — Property partly held and occupied and partly held for investment by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
33.	3 units located at Nos. 110-6, 110-7 and 110-8 Shiji Road East Section, Pulandian Town, Dalian City, Liaoning Province, The PRC 位於中國遼寧省大連市普蘭店市世紀路東段110-6, 110-7及110-8號的三個單位	The property comprises 3 units within an 11-storey building completed in about 2011. The total gross floor area ("GFA") of the property is approximately 588.92 sq.m.	As advised by the Company, 2 units of the property are vacant and available for lease. The remaining unit of the property is currently owner-occupied.	5,300,000

Notes:

1. The property is located at Pulandian Town which is about 1 hour's driving distance to Dalian City. The immediate locality is a residential area.

2. Pursuant to 3 Building Ownership Certificates, Pu Fang Quan Zheng Pu Dan Zi Di Nos. 2013011685 to 2013011687, issued by Real Estate Management Office of Pulandian City dated 26 December 2013, the building ownership rights of the property with a total GFA of approximately 588.92 sq.m. are legally owned by Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司) ("Dalian Cement").

3. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   The property with relevant building ownership certificates are legally owned by Dalian Cement and Dalian Cement has the rights to legally occupy, use, transfer and lease the property.

4. Dalian Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group IV — Properties held for investment by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
34.	A land parcel (under land use rights certificate: Sui Guo Yong (2010) Di No. 213) and various structures located at the east of 107th Provincial Road, Ouhua Village, Hexing Township, Suiping County, Zhumadian City, Henan Province, The PRC 位於中國河南省駐馬店市遂平縣和興鄉藕花村107國道東側之一塊土地（土地證：遂國用(2010)第213號）及若干構築物	The property comprises a land parcel with a site area of approximately 5,600 sq.m. and various structures completed in 2010 erected thereon. The land use rights of the property have been granted for a term of 50 years commencing on 25 December 2010 for industrial use.	The property is leased to Henan Song Bian Dian Engineering Company (河南送變電工程公司) at a monthly rent of RMB5,000 exclusive of electricity fee and all other relevant outgoings at a monthly basis for storage use.	2,370,000

Notes:

1. The property is located at Ouhua Village of Hexing Township which is within about 1.5 hours' driving distance from Xinyang City. The immediate locality is an industrial area intermingled with some rural and village settlements.

2. Pursuant to a State-owned Land Use Rights Grant Contract dated 25 October 2010, the land use rights of the property with a site area of approximately 5,600 sq.m. were contracted to be granted to Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司) ("Ruzhou Cement") at a land premium of RMB546,000 for a term of 50 years commencing on 25 December 2010 for industrial use.

3. Pursuant to a State-owned Land Use Rights Certificate, Sui Guo Yong (2010) Di No. 213, the land use rights of the property with a site area of approximately 5,600 sq.m. have been granted to Ruzhou Cement for industrial use.

4. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   The land use rights of the property are legally vested in Ruzhou Cement and Ruzhou Cement has the rights to legally occupy, use, transfer and lease the land parcel of the property in accordance with the State-owned Land Use Rights Certificate and the PRC laws.

5. Ruzhou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
35.	4 townhouses located at Nos. 907, 909, 911 and 913 Bingang Road, Lushunkou District, Dalian City, Liaoning Province, The PRC 位於中國遼寧省大連市旅順口區濱港路907、909、 911及913號的四棟別墅	The property comprises four 3-storey townhouses within a low-rise residential development named "Yueliangwan Garden" (月亮灣花園) completed in about 2010s. The total gross floor area ("GFA") of the property is approximately 1,209.48 sq.m. The land use rights of the property have been granted for a term expiring on 28 May 2048 for residential use.	The property is vacant.	10,200,000

Notes:

1. The property is located at Lushunkou District which is about 1 hour's driving distance to Dalian City. The immediate locality is a residential area.

2. Pursuant to 4 Building Ownership Certificates, Da Fang Quan Zheng Lv Dan Zi Di Nos. 201206933 to 201206936, issued by Real Estate Bureau of Dalian City Lushunkou District dated 9 October 2012, the building ownership rights of the property with a total GFA of approximately 1,209.48 sq.m. are legally owned by Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司) ("Dalian Cement") for a term expiring on 28 May 2048 for residential use.

3. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   The property with relevant building ownership certificates are legally owned by Dalian Cement and Dalian Cement has the rights to legally occupy, use, transfer and lease the property.

4. Dalian Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group V — Property held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
36.	A land parcel, various buildings and structures located at No. 600 Chuang Xin Liu Road, Hunnan District, Shenyang City, Liaoning Province, The PRC 位於中國遼寧省沈陽市渾南區創新六路600號之一塊土地、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 31,333.33 sq.m. The property also comprises a cement plant with 8 buildings and structures which is under construction (the "CIP"). The planned gross floor area of the 8 buildings of the CIP will be approximately 42,462 sq.m. upon completion. The estimated total construction cost is approximately RMB79,620,000, of which approximately RMB79,600,000 had been paid up to the valuation date. The construction works of the CIP are scheduled to be completed in early 2017.	The property is under development.	No Commercial Value

Notes:

1. The property is located at No. 600 Chuang Xin Liu Road of Hunnan District which is within about 25 minutes' driving distance to the airport in Shenyang City. The immediate locality is an industrial area.

2. Pursuant to a State-owned Land Use Rights Certificate, Hun Nan Guo Yong (2014) Di No. 1081, the land use rights of a land parcel with a site area of approximately 71,550.3 sq.m. have been granted to Shenyang Tai Feng Te Zhong Concrete Company Limited (瀋陽泰豐特種混凝土有限公司) ("Tai Feng Concrete") for a term expiring on 3 June 2064 for industrial use.

3. Pursuant to an Equity Transfer and Investment Co-operation Agreement entered into between Tianrui Group Cement Company Limited (天瑞集團水泥有限公司), Tai Feng Concrete and Shenyang Ju Cheng Construction Materials Technology Development Company Limited (瀋陽聚誠建材科技開發有限公司) dated 4 October 2013, Tai Feng Concrete has agreed to transfer the land use rights of the property with a site area of approximately 31,333.33 sq.m. to Shenyang Tiger Cement Company Limited (瀋陽老虎水泥有限公司)("Tiger Cement").

4. As advised, Tiger Cement is in progress of applying for the title certificates for the land parcel of the property according to the application procedures under the PRC laws and the relevant title certificates could be obtained in around June 2017.

5. As advised by Tiger Cement, the planning consent of the property has not been obtained.

6. In the valuation of this property, we have attributed no commercial value to the property as the property is not vested in Tiger Cement. However, for your reference purpose, we are of the opinion that the market value of the property as if completed as at the valuation date would be approximately RMB90,000,000 assuming the title certificates have been obtained.

7. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   There exist no impediments for Tiger Cement to obtain the title certificates of the land parcel of the property.

8. Tiger Cement is a 60%-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group VI — Properties occupied by the Group for mining operations in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
37.	A parcel of land (under mining permit No. 4100000510296) located in Limestone mining area of Zhifang Village, Qianying Township, Baofeng County, Pingdingshan City, Henan Province, The PRC 位於中國河南省平頂山市寶豐縣前營鄉紙房村石灰石礦之一塊土地(採礦許可證4100000510296號)	The property comprises a land parcel with a site area of approximately 5,232,700 sq.m.	The property is occupied by the Group for mining use.	No Commercial Value

Notes:

1. The property is located at Zhifang Village, Qianying Township, Baofeng County which is about 1 hour's driving distance to Pingdingshan City. The immediate locality is an industrial area.

2. Pursuant to a Mining Permit, No. 4100000510296, Tianrui Group Cement Company Limited (天瑞集團水泥有限公司) ("Tianrui Cement") has the rights to use the land parcel of the property with a site area of approximately 5,232,700 sq.m. for a term commencing in September 2005 and expiring in September 2019 for mining purpose.

3. In the valuation of this property, we have attributed no commercial value to the property as the land use rights of the property is not vested in Tianrui Cement.

4. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   Tianrui Cement has the rights to legally use the property within relevant term of land use rights.

5. Tianrui Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
38.	2 parcels of land (under mining permit No. C4104822010127130090076) located in Qing Song mining area of Guanmiao Village, and Xiaoshungou mining area of Xiaoshangou Village, Linru Town, Ruzhou City, Henan Province, The PRC 位於中國河南省汝州市臨汝鎮關廟村青松採石場小山溝村小山溝採石場之兩塊土地(採礦許可證C4104822010127130090076號)	The property comprises 2 land parcels with a total site area of approximately 891,700 sq.m.	The property is occupied by the Group for mining use.	No Commercial Value

Notes:

1. The property is located at Guanmiao Village and Xiaoshanggou Village in Linru Town which is about 1 hour's driving distance to Ruzhou City. The immediate locality is an industrial area.

2. Pursuant to a Mining Permit, No. C4104822010127130090076, Tianrui Group Cement Company Limited (天瑞集團水泥有限公司) ("Tianrui Cement") has the rights to use a land parcel of the property with a site area of approximately 263,200 sq.m. for a term commencing on 6 August 2013 and expiring on 6 August 2022 for mining purpose.

3. Pursuant to a Mining Permit, No. C4101822010127130090085, Tianrui Cement has the rights to use a land parcel of the property with a site area of approximately 628,500 sq.m. for a term commencing on 5 August 2013 and expiring on 5 August 2022 for mining purpose.

4. In the valuation of this property, we have attributed no commercial value to the property as the property is not vested in Tianrui Cement.

5. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   Tianrui Cement has the rights to legally use the property within relevant term of land use rights.

6. Tianrui Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
39.	A parcel of land (under mining permit No. C4104822010127130097304) located at Longma mining area of the west of Zhaigongdian Village, Mangchuan Township, Ruzhou City, Henan Province, The PRC 位於中國河南省汝州市蟒川鄉齋公店村西龍馬採石場之一塊土地(採礦許可證C4104822010127130097304號)	The property comprises a land parcel with a site area of approximately 33,200 sq.m.	The property is occupied by the Group for mining use.	No Commercial Value

Notes:

1. The property is located at Zhaigongdian Village in Mangchuan Township which is about 30 minutes' driving distance to Ruzhou City. The immediate locality is an industrial area.

2. Pursuant to a Mining Permit, No. C4104822010127130097304, Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司) ("Ruzhou Cement") has the rights to use the land parcel of the property with a site area of approximately 33,200 sq.m. for a term expiring on 16 June 2012. However, as advised by the Group, the application of the new Mining Permit will be processed.

3. Pursuant to an approval letter, Ru De Kuang Hua Zi No. (2016)0005 issued by the Ruzhou Geology & Mining Bureau dated 6 May 2016, Ruzhou Cement has the rights to use the land parcel of the property for a term expiring on 7 May 2017.

4. In the valuation of this property, we have attributed no commercial value to the property as the land use rights of the property are not vested in Ruzhou Cement.

5. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   Ruzhou Cement has the rights to legally use the property within relevant term of land use rights.

6. Ruzhou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
40.	A parcel of land (under mining permit No. C4104822010127130097303) and various buildings and structures located at Wufu mining area of the north of Shihuiyao Village, Mangchuan Township, Ruzhou City, Henan Province, The PRC 位於中國河南省汝州市蟒川鄉石灰窯村北五福採石場之一塊土地(採礦許可證C4104822010127130097303號)及若干房屋及構築物	The property comprises a land parcel with a site area of approximately 1,004,300 sq.m. and 3 buildings and various structures completed in various stages between 2003 and 2004 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 595 sq.m.	The property is occupied by the Group for mining use.	No Commercial Value

Notes:

1. The property is located at Shihuiyao Village in Mangchuan Township which is about 30 minutes' driving distance to Ruzhou City. The immediate locality is an industrial area.

2. Pursuant to a Mining Permit, No. C4104822010127130097303, Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司) ("Ruzhou Cement") has the rights to use the land parcel of the property with a site area of approximately 1,004,300 sq.m. for a term expiring on 16 June 2012. However, as advised by the Group, the application of the new Mining Permit will be processed.

3. Pursuant to an approval letter, Ru De Kuang Hua Zi No. (2016)0005 issued by the Ruzhou Geology & Mining Bureau dated 6 May 2016, Ruzhou Cement has the rights to use the land parcel of the property for a term expiring on 7 May 2017.

4. For the buildings of the property with a total GFA of approximately 595 sq.m., we have not been provided with any title certificates.

5. In the valuation of this property, we have attributed no commercial value to the property as the property is not vested in Ruzhou Cement.

6. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   Ruzhou Cement has the rights to legally use the property within relevant term of land use rights.

7. Ruzhou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
41.	Wu Fu Mining Area and Shen Long Mining Area located in the north of Shihuiyao Village, Mangchuan Township, Ruzhou City, Henan Province, The PRC 位於中國河南省汝州市蟒川鄉石灰窯村北之五福採石場及神龍採石場	The property comprises 2 land parcels with a total site area of approximately 180,100 sq.m.	The property is occupied by the Group for mining use.	No Commercial Value

Notes:

1. The property is located at Shihuiyao Village in Mangchuan Township which is about 30 minutes' driving distance to Ruzhou City. The immediate locality is an industrial area.

2. Pursuant to a Confirmation Letter issued by Ruzhou City Land Administration Bureau (汝州市土地管理局) dated 12 March 2010, Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司) ("Ruzhou Cement") has the rights to use the land parcels of the property with a total site area of approximately 180,100 sq.m. for a term expiring on 17 March 2012. However, as advised by the Group, the application of the new Mining Permit will be processed.

3. In the valuation of this property, we have attributed no commercial value to the property as the land use rights of the property are not vested in Ruzhou Cement.

4. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. As advised by the Group, there are no administrative punishments imposed by the relevant authorities; and

   b. Ruzhou Cement is in the process of applying for the new Mining Permit and there exist no impediments for the application.

5. Ruzhou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
42.	A land parcel (under mining permit No. C4100002009047120019163) and various structures located at the west of 020th Township Road, Yunshanzhai Mining Area, Guangshan County, Xinyang City, Henan Province, The PRC 位於中國河南省信陽市光山縣雲山寨礦區020鄉道西側之一塊土地(採礦許可證C4100002009047120019163號)及若干構築物	The property comprises a land parcel with a site area of approximately 2,443,400 sq.m. and various structures completed in between 2008 and 2012 erected thereon.	The property is occupied by the Group for mining use.	No Commercial Value

Notes:

1. The property is located at Yunshanzhai Mining Area in Guangshan County which is about 1.5 hours' driving distance to Xinyang City. The immediate locality is an industrial area intermingled with some rural and village settlements.

2. Pursuant to a Mining Permit, No. C4100002009047120019163, Tianrui Group Cement Company Limited (天瑞集團水泥有限公司) ("Tianrui Cement") has the rights to use the land parcel of the property with a site area of approximately 2,443,400 sq.m. for a term commencing in April 2009 and expiring in December 2024 for mining purpose.

3. In the valuation of this property, we have attributed no commercial value to the property as the property is not vested in Tianrui Cement.

4. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   Tianrui Cement has the rights to legally use the land parcel of the property within relevant term of the land use rights.

5. Tianrui Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
43.	A parcel of land (under mining permit No. C4100002009047130014320) located in Qingshan Village, Baitugang Town, Nanzhao County, Nanyang City, Henan Province, The PRC 位於中國河南省南陽市南召縣白土崗鎮青山村之一塊土地(採礦許可證C4100002009047130014320號)	The property comprises a land parcel with a site area of approximately 685,200 sq.m.	The property is occupied by the Group for mining use.	No Commercial Value

Notes:

1. The property is located at Qingshan Village, Baitugang Town in Nanzhao County which is about 1.5 hours' driving distance to Nanyang City. The immediate locality is an industrial area.

2. Pursuant to a Confirmation Letter issued by Nanzhao County Land & Resources Bureau (南召縣國土資源局) dated 19 March 2011, the property with a site area of approximately 685,200 sq.m. is used by Tianrui Group Nanzhao Cement Company Limited (天瑞集團南召水泥有限公司) ("Nanzhao Cement") for open-pit mining purpose.

3. In the valuation of this property, we have attributed no commercial value to the property as the land use rights of the property are not vested in Nanzhao Cement.

4. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   Nanzhao Cement has the rights to legally use the property within relevant term of the land use rights.

5. Nanzhao Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
44.	2 parcels of land (under mining permit No. C3400002013671101302O2) located in Tuan Li and Niu To Mountain, Baitu Town, Xiao County, Suzhou City, Anhui Province, The PRC 位於中國安徽省宿州市蕭縣白土鎮疃里及牛頭山之兩塊土地(採礦許可證C3400002013671101302O2號)	The property comprises 2 land parcels with a total site area of approximately 1,586,500 sq.m.	The property is occupied by the Group for mining use.	No Commercial Value

Notes:

1. The property is located in Bailtu Town which is about 45 minutes' driving distance to Xuzhou City. The immediate locality is an industrial area intermingled with some rural and village settlements.

2. Pursuant to a Mining Permit No. C3400002013067110130202, issued by Land & Resources Bureau of Anhui Province (安徽省國土資源局) dated 3 June 2013, Tianrui Group Xiaoxian Cement Company Limited (天瑞集團蕭縣水泥有限公司) ("Xiaoxian Cement") has the rights to use a land parcel of the property with a site area of approximately 1,393,700 sq.m. for a term commencing on 13 June 2013 and expiring on 13 June 2033 for mining purpose.

3. Pursuant to a Mining Permit No. C3413002010077130070849, issued by Land & Resources Bureau of Suzhou City (宿州市國土資源局) dated 22 July 2013, Xiaoxian Cement has the rights to use a land parcel of the property with a site area of approximately 192,800 sq.m. for a term commencing on 22 July 2013 and expiring on 22 July 2016 for mining purpose.

4. In the valuation of this property, we have attributed no commercial value to the property as the land use rights of the property are not vested in Xiaoxian Cement.

5. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   Xiaoxian Cement has the rights to legally use the property within relevant term of the land use rights.

6. Xiaoxian Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
45.	A parcel of land (under mining permit No. C4100002009107120041271), 2 buildings and various structures located in Luzhuang Mining Area, Luzhuang Village, Cuimiao Town, Xingyang City, Henan Province, The PRC 位於中國河南省滎陽市崔廟鎮蘆莊村蘆莊礦區之一塊土地(採礦許可證C4100002009107120041271號)、兩棟房屋及若干構築物	The property comprises a land parcel with a site area of approximately 1,812,400 sq.m. and 2 buildings and various structures completed in various stages between 2010 and 2014 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 1,835.16 sq.m.	The property is occupied by the Group for mining use.	No Commercial Value

Notes:

1. The property is located in Luzhuang Village which is about 50 minutes' driving distance to the airport in Zhengzhou City. The immediate locality is an industrial area.

2. Pursuant to a Mining Permit, No. C4100002009107120041271, Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司) ("Zhengzhou Cement") has the rights to use the land parcel of the property with a site area of approximately 1,812,400 sq.m. for a term expiring in March 2016 for mining purpose.

3. For the buildings of the property with a total GFA of approximately 1,835.16 sq.m., we have not been provided with any title certificates.

4. In the valuation of this property, we have attributed no commercial value to the property as the property is not vested in Zhengzhou Cement.

5. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   a. As advised by the Group, there are no administrative punishments imposed by the relevant authorities;

   b. Zhengzhou Cement is in the process of applying for the new Mining Permit and there exist no impediments for the application; and

   c. According to a Confirmation Letter issued by Xingyang City House Indemnification & Real Estate Center (滎陽市住房保障和房地產中心) dated 30 June 2011, the buildings of the property with a total GFA of approximately 1,835.16 sq.m. are not required to obtain relevant Building Ownership Certificates and the absence of relevant Building Ownership Certificates would not affect the operation of Zhengzhou Cement and Zhengzhou Cement would not be subject to any penalty.

6. Zhengzhou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
46.	6 parcels of land and a building located in Nos. 1 & 2 Mining Zone, Douyigou Mining Area, Taigong Town, Weihui City, Henan Province, The PRC 位於中國河南省衛輝市太公鎮豆義溝礦區第一及第二採礦場之六塊土地及一棟房屋	The property comprises 6 land parcels with a total site area of approximately 2,015,800 sq.m. and a building completed in around 2013 erected thereon. The gross floor area ("GFA") of the building of the property is approximately 500 sq.m.	The property is occupied by the Group for mining use.	No Commercial Value

Notes:

1. The property is located at Douyigou Mining Area in Taigong Town which is about 70 minutes' driving distance to the airport in Zhengzhou City. The immediate locality is an industrial area.

2. Pursuant to 6 Mining Permits, Nos. C4107812009097120035698, C4107812009097120042530, C4107812010127120086812, C4107812010127120087068, C4107812010127120088464 and C4107812010027120088473, Weihui Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司) ("Weihui Cement") has the rights to use the land parcels of the property with a total site area of approximately 2,015,800 sq.m. for various terms with the latest expiry date on 3 June 2017 for mining purpose.

3. For the building of the property with a GFA of approximately 500 sq.m., we have not been provided with any title certificates.

4. In the valuation of this property, we have attributed no commercial value to the property as the property is not vested in Weihui Cement.

5. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   Weihui Cement has the rights to legally use the land parcels of the property within the relevant term of the land use rights.

6. Weihui Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
47.	A parcel of land (under mining permit No. C2100002009067120022367) and 3 buildings located in Yushu Mountain, Shabao Village, Changxing Island Lingang Industrial Zone, Dalian City, Liaoning Province, The PRC 位於中國遼寧省大連市長興島臨港工業區沙包村榆樹山之一塊土地(採礦許可證C2100002009067120022367號)及三棟房屋	The property comprises a land parcel with a site area of approximately 1,786,600 sq.m. and 3 buildings completed in about 2007 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 639.81 sq.m.	The property is occupied by the Group for mining use.	No Commercial Value

Notes:

1. The property is located at Shabao Village which is about 1.5 hours' driving distance to Dalian City. The immediate locality is an industrial area.

2. Pursuant to a Mining Permit No. C2100002009067120022367, Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司) ("Dalian Cement") has the rights to use the land parcel of the property with a site area of approximately 1,786,600 sq.m. for a term expiring in June 2017 for mining purpose.

3. For the buildings of the property with a total GFA of approximately 639.81 sq.m., we have not been provided with any title certificates.

4. In the valuation of this property, we have attributed no commercial value to the property as the property is not vested in Dalian Cement.

5. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   Dalian Cement has the rights to legally use the land parcel of the property within the relevant term of the land use rights.

6. Dalian Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
48.	A parcel of land and a building located at No. 9 Gao Shan Street, Wensheng District, Liaoyang City, Liaoning Province, The PRC 位於中國遼寧省遼陽市文聖區高山街9號之一塊土地及一棟房屋	The property comprises a land parcel with a site area of approximately 266,668 sq.m. and a building completed in about 2010 erected thereon. The gross floor area ("GFA") of the building of the property is approximately 64.16 sq.m.	The property is occupied by the Group for mining use.	No Commercial Value

Notes:

1. The property is located in Wensheng District which is about 1.5 hours' driving distance to Shenyang Taoxian International Airport. The immediate locality is an industrial area.

2. Pursuant to a Mining Permit, No. C2110002009037120008523, Liaoyang Tianrui Cement Company Limited (遼陽天瑞水泥有限公司) ("Liaoyang Cement") has the rights to use the land parcel of the property with a site area of approximately 266,668 sq.m. for a term expiring on 31 August 2023 for mining purpose.

3. For the building of the property with a GFA of approximately 64.16 sq.m., we have not been provided with any title certificates.

4. In the valuation of this property, we have attributed no commercial value to the property as the property is not vested in Liaoyang Cement.

5. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   Liaoyang Cement has the rights to legally use the land parcel of the property within the relevant term of the land use rights.

6. Liaoyang Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
49.	A parcel of land (under mining permit No. C4110812010127130093942) located at phase one of Yangdonggou mining area, Beidongzhuang Village and Chendong Village, Qianjing Township, Yuzhou City, Henan Province, The PRC 位於中國河南省禹州市淺井鄉北董庄村及陳垌村楊垌溝採石一廠之一塊土地(採礦許可證C4110812010127130093942號)	The property comprises a land parcel with a site area of approximately 750,000 sq.m.	The property is occupied by the Group for mining use.	No Commercial Value

Notes:

1. The property is located at Qianjing Township which is about 1 hour's driving distance to Yuzhou City. The immediate locality is an industrial area.

2. Pursuant to a Mining Permit No. C4110812010127130093942, issued by Land & Resources Bureau of Yuzhou City (禹州市國土資源局) dated 9 January 2015, Yuzhou Zhongjin Mining Company Limited (禹州中錦礦業有限公司) ("Zhongjin Mining") has the rights to use the property with a site area of approximately 750,000 sq.m. for a term commencing on 9 January 2015 and expiring on 9 January 2035 for mining purpose.

3. In the valuation of this property, we have attributed no commercial value to the property as the land use rights of the property are not vested in Zhongjin Mining.

4. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, inter alia, the following:

   Zhongjin Mining has the rights to legally use the property within the relevant term of the land use rights.

5. Zhongjin Mining is a wholly-owned subsidiary of the Company.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 30 September 2016 of the properties to be acquired by the Group from the Target Companies located in the People's Republic of China.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心33樓
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
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30 December 2016

The Directors
China Tianrui Group Cement Company Limited
Room 2005A, 20/F., Lippo Centre Tower 2
89 Queensway, Admiralty
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from China Tianrui Group Cement Company Limited (the "Company") for us to value the properties to be acquired by the Company and/or its subsidiaries (together referred to as the "Group") from Henan Yongan Cement Company Limited ("Yongan Cement") and Tianrui Xindeng Zhengzhou Cement Company Limited ("Xindeng Cement") (together referred to as the "Target Companies") located in the People's Republic of China (the "PRC"). We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 September 2016 (the "valuation date").

BASIS OF VALUATION

Our valuations of the properties have been based on the Market Value, which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION METHODOLOGIES

We have adopted the Depreciated Replacement Cost Approach. Depreciated replacement cost is defined as "the aggregate amount of the value of the land for the existing use or a notional replacement site in the same locality and the new replacement cost of the buildings and other site works, from which appropriate deductions may then be made to allow for the age, condition, economic or functional obsolescence and environmental factors, etc.; all of these might result in the existing property being worth less to the undertaking in occupation than would a new replacement". This basis has been used due to the lack of an established market upon which to base comparable transactions, which generally furnishes the most reliable indication of values for assets without a known used market. This opinion of value is subject to adequate profitability of the business compared to the value of the total assets employed.

TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Group's PRC legal advisor — DeHeng Law Offices regarding the title of the properties located in the PRC. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no forced sale situation in any manner is assumed in our valuations.

VALUATION CONSIDERATIONS

The inspections of the properties were conducted by Ms. Yates Wong (MSc(RealEst)) in November 2016. We inspected the properties externally and where possible, the interior of the properties during the inspections. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the properties. We are, therefore, unable to report that the properties are free from rot, infestation or any other structural defects.

We have relied to a considerable extent on the information provided by the Group and have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, particulars of occupancy, site/floor areas, identification of the properties and all other relevant matters.

Except otherwise stated, dimensions, measurements and site/floor areas included in the valuation certificates are based on information contained in the documents provided to us and are therefore only approximations.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

For the purpose of compliance with Rule 11.3 of The Code on Takeovers and Mergers and Share Repurchases (the "Takeovers Code") and as advised by the Group, the potential tax liabilities which may arise from the sale of the properties include:

- Business tax at a rate of 5% of consideration for the properties in the PRC;
- Stamp duty at a rate of 0.05% of consideration for the properties in the PRC; and
- Land value appreciation tax for the properties in the PRC at progressive tax rates ranging from 30% to 60% on the appreciation.

As advised by the Company, the likelihood of any potential tax liability being crystalised is remote as the Target Companies have no intention to sell the properties.

Our valuations have been prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The Code on Takeovers and Mergers and Share Repurchases issued by The Securities and Futures Commission.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB) and no allowances have been made for any exchange transfer.

Our summary of values and the valuation certificates are attached herewith.

As confirmed by the Company, all properties held by the Target Companies are included in our report.

Pursuant to Rule 11.5(c) of the Takeovers Code, we have given and not withdrawn our consent to the issue of this circular of the Company dated 30 December 2016 with the inclusion of this report.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Joannau W.F. Chan
BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director

Note:

Ms. Joannau W.F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 23 years' experience in valuations of properties in Hong Kong and over 17 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 30 September 2016 *RMB*
	Properties to be acquired by the Group from the Target Companies in the PRC	
1.	A parcel of land (Land Parcel No. 2010–26), 20 buildings and various structures located at west of Ludian Road, Zhitian Town, Gongyi City, Henan Province, The PRC 位於中國河南省 鞏義市芝田鎮 鋁電路西 之一塊土地(地號2010–26)、 20棟房屋及若干構築物	295,100,000
2.	A parcel of land (Land Parcel No. 4-4-26-4), 16 buildings and various structures located in Sigou Village, Xuanhua Town, Dengfeng City, Henan Province, The PRC 位於中國河南省登封市宣化鎮 寺溝村 之一塊土地(地號4-4-26-4)、 16棟房屋及若干構築物	156,700,000
	Total:	**451,800,000**

VALUATION CERTIFICATE

Properties to be acquired by the Group from the Target Companies in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
1.	A parcel of land (Land Parcel No. 2010–26), 20 buildings and various structures located at west of Ludian Road, Zhitian Town, Gongyi City, Henan Province, The PRC 位於中國河南省鞏義市芝田鎮鋁電路西之一塊土地（地號2010–26）、20棟房屋及若干構築物	The property comprises a land parcel with a site area of approximately 128,321.7 sq.m. and 20 buildings and various structures completed in various stages between 2011 and 2014 erected thereon. The total gross floor area (“GFA”) of the buildings of the property is approximately 11,464.52 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 17 June 2060 for industrial use.	The property is occupied for cement production purpose.	295,100,000

Notes:

1. The property is located in Ludian Road which is about 1.5 hours' driving distance to the Zhengzhou Xinzheng International Airport. The immediate locality is an industrial area.

2. Pursuant to a State-owned Land Use Rights Grant Contract, Yu (Gong Yi) Chu Rang (2010) Di No. 0051 dated 12 June 2010, the land use rights of the property with a site area of approximately 128,321.7 sq.m. were contracted to be granted to Henan Yongan Cement Company Limited (河南永安水泥有限責任公司) (“Yongan Cement”) at a land premium of RMB21,200,000 for a term of 50 years for industrial use.

3. Pursuant to a State-owned Land Use Rights Certificate, Gong Guo Yong (2010) Di No. 01811, the land use rights of the property with a site area of approximately 128,321.7 sq.m. have been granted to Yongan Cement for a term expiring on 17 June 2060 for industrial use.

4. Pursuant to a Construction Works Planning Permit, Jian Zi Di (Zhen) No. 0902, portions of the property were permitted to be developed by Yongan Cement.

5. Pursuant to a Construction Works Commencement Permit, No. 410181200906026, the construction work of portions of the property was permitted to commence.

6. For the buildings of the property with a total GFA of approximately 11,464.52 sq.m., we have not been provided with any title certificates.

7. In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 6 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land) as at the valuation date would be in the sum of approximately RMB18,000,000 assuming all relevant title certificates of these buildings have been obtained and these buildings could be freely transferred in the market.

8. As advised by the Company, the net book value of the property was approximately RMB295,300,000 as at the valuation date.

9. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, *inter alia*, the following:

   The land use rights of the land parcel of the property are legally vested in Yongan Cement and Yongan Cement has the rights to legally occupy, use, transfer, lease and mortgage the land use rights of the property in accordance with the land use rights certificate and the PRC laws.

10. Yongan Cement is a wholly-owned subsidiary of Tianrui Group Company Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016 *RMB*
2.	A parcel of land (Land Parcel No. 4-4-26-4), 16 buildings and various structures located in Sigou Village, Xuanhua Town, Dengfeng City, Henan Province, The PRC 位於中國河南省登封市宣化鎮寺溝村之一塊土地（地號4-4-26-4）、16棟房屋及若干構築物	The property comprises a land parcel with a site area of approximately 201,059.9 sq.m. and 16 buildings and various structures completed in various stages between 2008 and 2016 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 21,181.68 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 17 February 2062 for industrial use.	The property is occupied for cement production purpose.	156,700,000

Notes:

1. The property is located in Sigou Village which is about 1.5 hours' driving distance to the Zhengzhou Xinzheng International Airport. The immediate locality is a rural area.

2. Pursuant to a State-owned Land Use Rights Grant Contract, Yu (Deng Feng) Chu Rang (2011) Di No. 0014 dated 23 November 2011, the land use rights of the property with a site area of approximately 201,059.9 sq.m. were contracted to be granted to Tianrui Xindeng Zhengzhou Cement Company Limited (天瑞新登鄭州水泥有限公司) ("Xindeng Cement") at a land premium of RMB36,190,800 for a term of 50 years for industrial use.

3. Pursuant to a State-owned Land Use Rights Certificate, Deng Guo Yong (2012) Di No. 00004, the land use rights of the property with a site area of approximately 201,059.9 sq.m. have been granted to Xindeng Cement for a term expiring on 17 February 2062 for industrial use.

4. Pursuant to a Construction Land Planning Permit, Deng Cun Gui 2007 (Ji) No. 012, the property with a site area of approximately 333 mu was permitted to be used.

5. For the buildings of the property with a total GFA of approximately 21,181.68 sq.m., we have not been provided with any title certificates.

6. In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 5 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land) as at the valuation date would be in the sum of approximately RMB26,100,000 assuming all relevant title certificates of these buildings have been obtained and these buildings could be freely transferred in the market.

7. As advised by the Company, the net book value of the property was approximately RMB196,700,000 as at the valuation date.

8. The opinion of the PRC legal advisor to the Group dated 19 December 2016 contains, *inter alia*, the following:

   The land use rights of the land parcel of the property are legally vested in Xindeng Cement and Xindeng Cement has the rights to legally occupy, use, transfer, lease and mortgage the land use rights of the property in accordance with the land use rights certificate and the PRC laws.

9. Xindeng Cement is a 55%-owned subsidiary of Tianrui Group Company Limited.

A. Letter from Central China International Capital Limited

30 December 2016

The Board of Directors
China Tianrui Group Cement Company Limited
Room 2005A, 20/F,
Lippo Centre, Tower 2
89 Queensway
Admiralty
Hong Kong

Dear Sirs,

We refer to the circular to shareholders of the Company dated 30 December 2016 ("Circular") which has included the valuation report dated 30 December 2016 ("Valuation Report") prepared by Roma Appraisals Limited (the "Valuer") in relation to the valuation of (i) 100% equity interest in 河南永安水泥有限責任公司 (Henan Yongan Cement Company Limited or "Yongan Cement"); and (ii) 55% equity interest in 天瑞新登鄭州水泥有限公司 (Tianrui Xindeng Zhengzhou Cement Company Limited or "Xindeng Cement") (collectively the "Valuation"). Unless the context requires otherwise, terms used in this letter have the same meanings as defined in the Circular.

According to the Valuation Report, the Valuation has been performed by the Valuer which has adopted the market-based approach and used the price-to-book multiples in calculating the market values of 100% equity in Yongan Cement and 55% equity interest in Xindeng Cement, which stood at RMB866,000,000 and RMB404,000,000, respectively as at 30 September 2016 (the "Date of Valuation").

We have reviewed the Valuation Report and discussed with the management of the Company and the Valuer regarding the Valuation Report, including, in particular, the valuation approach and bases and assumptions. With respect to the Valuer's qualifications and experience, upon which we are required to report pursuant to Rule 11.1(b) of the Code on Takeovers and Mergers and Share Repurchases (the "Takeovers Code"), we have conducted reasonable checks to assess the Valuer's relevant qualification, experience and expertise.

In arriving at our views, we have relied on information and materials provided to us by the Company, and the opinions expressed by, and the representations of, the management of the Company and the Valuer, which we have assumed to be true, accurate, complete and not misleading and remain so as of the date hereof, and that no material fact or information has been omitted therefrom. Circumstances could have developed or could develop in the future that, if known to us at the time of the issue of this letter, may affect our assessment and our views on the Valuation. Further, we would caution that qualifications, bases and assumptions of the Valuation are inherently subject to potentially significant business, economic and competitive uncertainties and contingencies, which are beyond the control of the Company and the Valuer.

We are acting only as the financial adviser to the Company in relation to the Acquisition. We and our respective directors and affiliates will not, whether jointly or severally, be responsible to anyone other than the Company for providing advice in connection with the Acquisition, nor will we, our respective directors and affiliates, whether jointly or severally, owe any responsibility to anyone other than the Company. Nothing in this letter should be construed as an opinion or recommendation to any person as to how to vote on the Acquisition, the Whitewash Waiver and the Specific Mandate and the transactions contemplated thereunder. Shareholders are recommended to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser as set out in the Circular for such recommendation.

On the basis of the foregoing, we are of the opinion that the bases and assumptions set out in the Valuation, for which the Directors are solely responsible, have been made with due care and objectivity, and on a reasonable basis and that the assumptions are fair and reasonable. We are also satisfied that the Valuer is suitably qualified and experienced with sufficient current knowledge, skills and understanding to undertake the Valuation competently.

This letter is supplied on the understanding that it is for the sole use of the Company. It must not be made available to any other party or filed with or referred to (either in whole or in part) in the Circular or any other document or otherwise quoted, circulated or used for any other purpose without our prior written consent, except that we understand a copy of this letter will be lodged with the Stock Exchange and the Executive of the SFC and included in the Circular to be despatched by the Company.

For the avoidance of doubt, all duties and liabilities (including without limitation those arising from negligence) to third parties, including the Stock Exchange, are specifically disclaimed, except those of our responsibilities under the Takeovers Code that cannot be disclaimed.

Pursuant to Rule 11.5(c) of the Takeovers Code, we have given and not withdrawn our consent to the publication of this letter.

Yours faithfully,
For and on behalf of
Central China International Capital Limited

B. Letter from Roma Appraisals Limited

ROMA

Unit 3806, 38/F, China Resources Building,
26 Harbour Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http://www.romagroup.com

30 December 2016

China Tianrui Group Cement Company Limited
Room 2005A, 20/F.,
Lippo Centre Tower 2,
89 Queensway, Admiralty,
Hong Kong

Case Ref: CL/BVRE2713/MAY15

Dear Sir/Madam,

Re: Business Valuation of 100% Equity Interest in 河南永安水泥有限責任公司 (Henan Yongan Cement Company Limited) and 55% Equity Interest in 天瑞新登鄭州水泥有限公司 (Tianrui Xindeng Zhengzhou Cement Company Limited)

In accordance with the instructions from China Tianrui Group Cement Company Limited (hereinafter referred to as the "Company"), we have performed a business valuation of 100% equity interest in 河南永安水泥有限責任公司 (Henan Yongan Cement Company Limited) (hereinafter referred to as the "Business Enterprise 1") and 55% Equity Interest in 天瑞新登鄭州水泥有限公司 (Tianrui Xindeng Zhengzhou Cement Company Limited) (hereinafter referred to as the "Business Enterprise 2") (collectively referred to as the "Business Enterprises"). We are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing you with our opinion of values as at 30 September 2016 (hereinafter referred to as the "Date of Valuation") as instructed by the Company. As discussed with the Company, the Date of Valuation is the latest practicable date for the valuation.

This report states the purpose of valuation, scope of work, economic overview, overview of the cement industry in China, overview of the Business Enterprises, basis of valuation, investigation and analysis, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks, and presents our opinion of values.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Roma Appraisals Limited (hereinafter referred to as "Roma Appraisals") acknowledges that this report may be made available to the Company for the Company's reference for the consideration of the acquisition of the Business Enterprises and public documentation purpose only. In accordance with Rule 11.5(c) of the Code on

Takeovers and Mergers, we have given and have not withdrawn our written consent to the publication of this valuation report in the circular of the Company dated 30 December 2016.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and information provided by the management of the Company, the management of the Business Enterprises, and/or their representative(s) (hereinafter referred to as the "Management").

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of the Business Enterprises. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprises provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

3. ECONOMIC OVERVIEW

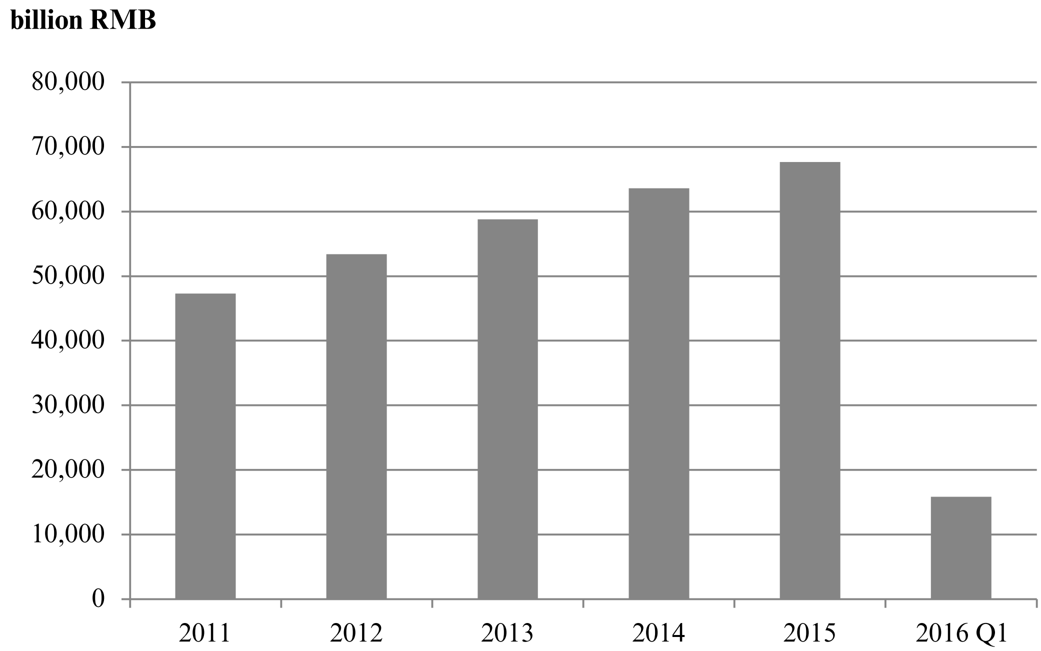
3.1 Overview of the Economy in China

According to the National Bureau of Statistics of China, the nominal gross domestic product ("GDP") of China in the first quarter of 2016 was RMB15,852.64 billion, a year over year increase of 7.2% comparing to March 2015. China was the third largest economy in the world, ranked after the European Union and the United States, in terms of nominal GDP measured by the International Monetary Fund ("IMF") in 2014. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending in infrastructure and real estates.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China's economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth since 2011.

Over the past five years from 2011 to 2015, compound annual growth rate of China's nominal GDP was 11.0% whereas the Chinese government targeted to grow its GDP by around 7.0% annually for the period from 2011 to 2015. Figure 1 illustrates the nominal GDP of China from 2011 to the first quarter of 2016.

Figure 1 — China's Nominal GDP from 2011 to the First Quarter of 2016



Source: National Bureau of Statistics of China

3.2 Inflation in China

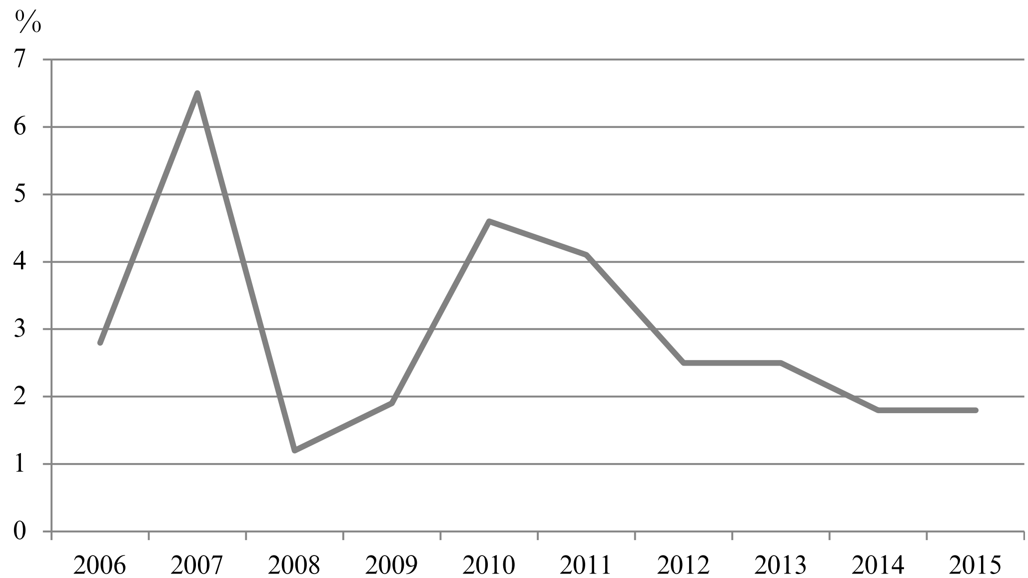
Tackling inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class' demand for food and commodities has been rising continuously. Inflation in China has been driven mainly by food prices, which have stayed high since 2011. According to the National Bureau of Statistics of China, the consumer price index ("CPI") demonstrated an uptrend in the first half of 2011. Thanks to the government's policies in suppressing commodity prices, the inflation in CPI slowed in the second half of 2011 and first half of 2012 and maintained at around 2.0% to 3.2% during 2013. During 2014, the CPI dropped and reached 1.5% in December 2014. During first half of 2015, the CPI maintained at around 0.8% to 1.5%, and fluctuated around 1.3% to 2.0% in second half year of 2015. In the first quarter of 2016, the CPI remained at a steady rate of 2.3%. Figure 2 shows the year-over-year change in CPI of China from April 2013 to March 2016.

Figure 2 — Year-over-year Change in China's Consumer Price Index from April 2013 to March 2016

Source: Bloomberg

China's inflation rate was volatile during the past decade. According to the IMF, the inflation rate in China increased from 2.8% in 2006 to 6.5% in 2007, and then dropped to 1.2% and 1.9% in 2008 and 2009 respectively. The inflation rate increased to 4.6% in 2010 and maintained at 4.1% in 2011. The inflation rate dropped again to 2.5% in 2012 and 2013, and further to 1.8% in 2014. Finally, it maintained at 1.8% in 2015. According to IMF's forecast, the long-term inflation rate of China is expected to be around 3.0%. Figure 3 shows the historical trend of China's inflation rate from 2006 to 2015.

Figure 3 — China's Inflation Rate from 2006 to 2015



Source: International Monetary Fund

4. OVERVIEW OF THE CEMENT INDUSTRY IN CHINA

4.1 Cement Industry in China

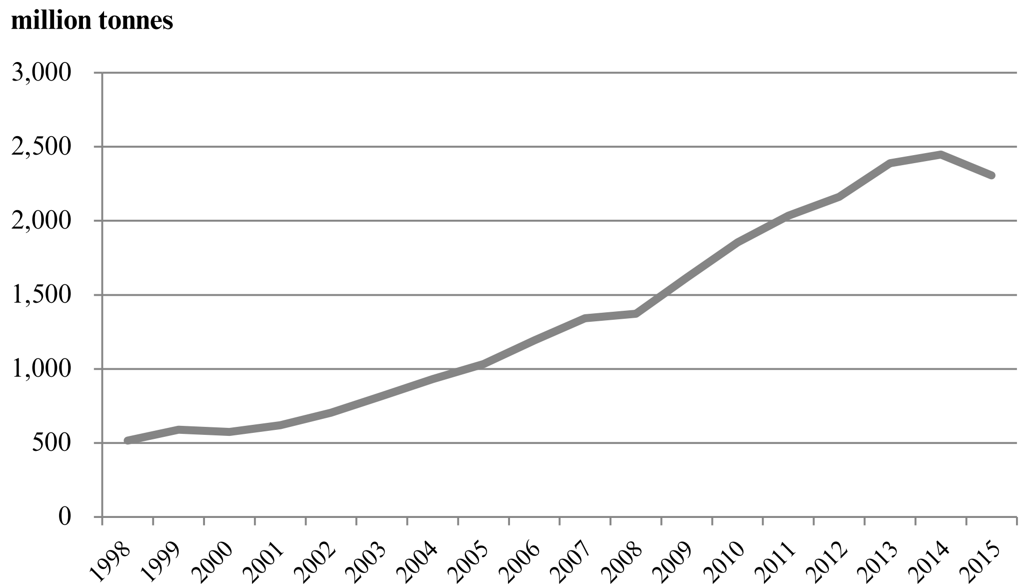
The problem of over-capacity is a concern for cement industry in the recent years. To solve it, on one hand, the government strictly controls the development of new production capacity and on the other hand, it eliminates backward production capacity by forcing smaller and uncompetitive enterprises out of the market. Also, it supports and encourages industry integration, as a result, the major enterprises in the industry trend to cooperate and increasing industry concentration.

However, since the production capacity of cement has been at a high level from 2012 to 2015, which was greater than 3 billion tonnes per year, while the market demand for cement in 2015 is around 2 billion tonnes. It has resulted in lower prices of cement and also the profit of cement enterprises. In 2015, the economic growth in China slowed down which led to a market downturn in the cement industry. According to National Bureau of Statistics of China, the aggregate profit of the industry in 2015 was approximately RMB33 billion, representing a year-on-year decrease of 57%.

4.2 Turnover of Cement

In China, there are three main types of cement in the market, which are 32.5-grade cement, 42.5-grade cement and 52.5-grade cement. These three types of cement are widely used in infrastructure construction. The turnover of cement in China showed an increasing trend from year 1998 to 2014, matching with the expanding construction activities in China during the period. Figure 4 below illustrates the turnover of all types of cement in China from 1998 to 2015.

Figure 4 — Turnover of Cement in China from 1998 to 2015

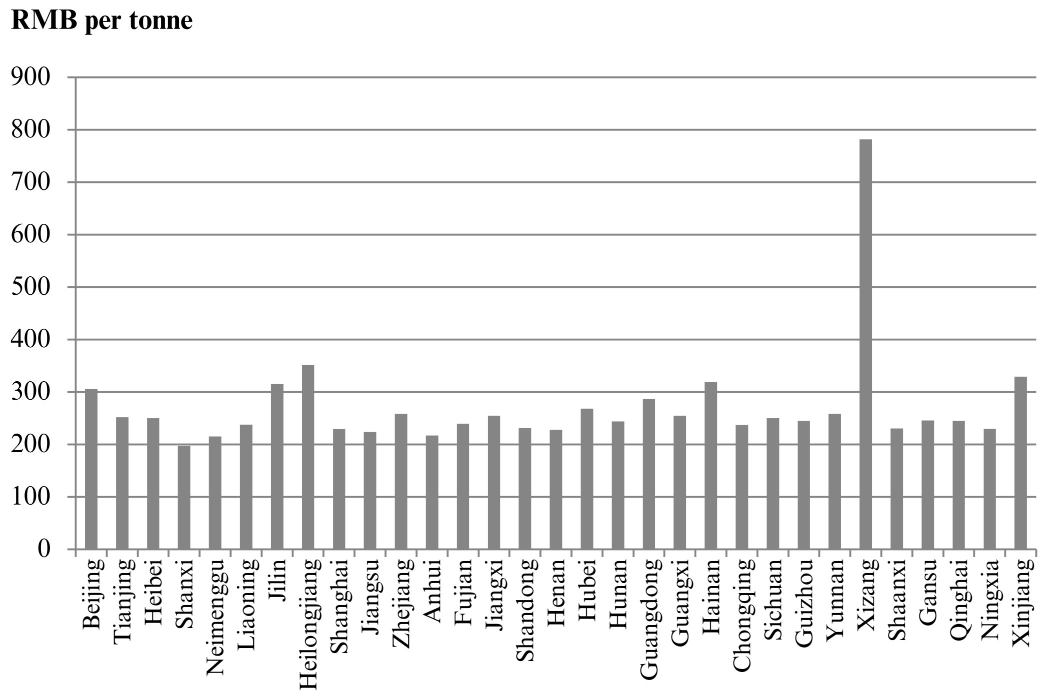


Source: National Bureau of Statistics of China

4.3 Prices of Cement

Cement is a regional product since its sales radium is subject to the restriction of transportation, the prices of cement among different regions in China can be significantly different, ranging from around RMB200 to RMB780 per tonne. Remote provinces such as Xizang and Xinjiang and the region of Northeast have a higher cement price. Figure 5 illustrates the price of 42.5-grade cement in different provinces as at 30 June 2016.

Figure 5 — Price of 42.5-grade Cement in Different Provinces as at 30 June 2016



Source: Ministry of Industry and Information Technology of the People's Republic of China

Note: The products for sale of the Business Enterprises include 32.5-grade, 42.5-grade and 52.5-grade cement, in which the 42.5 grade cement accounts for around 70% and 80% of the total cement revenue of Business Enterprise 1 and Business Enterprise 2 respectively according to the Management.

Note: Only prices for 42.5-grade cement were available from this information source, while prices for 32.5-grade and 52.5-grade cement were not available from this and other official sources.

According to the Management, there are a few possible explanations for the absence of official statistics on the 32.5-grade and 52.5-grade cement prices, list out as follows:

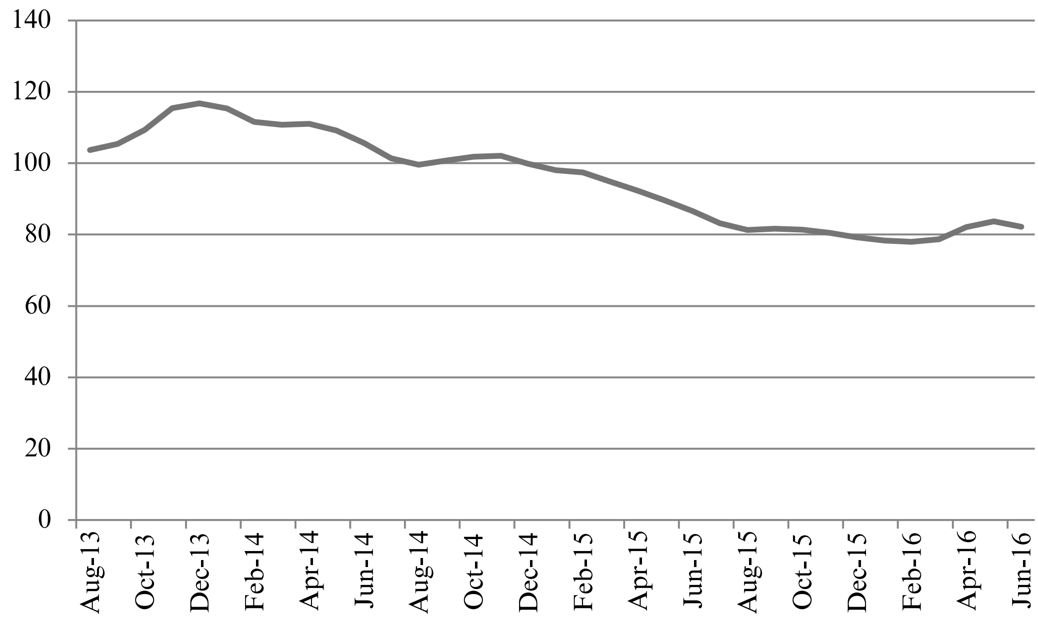
- customers of 32.5-grade cement in the cement market in the PRC are mostly retail based, and it is rather difficult to gather statistical data on the retail price for 32.5-grade cement; and

- sales volume of 52.5-grade cement in the cement market in the PRC is relatively small, there may not be sufficient price data for official sources to construct a representable database.

While the 42.5-grade cement is the most common product in the cement industry, the Management is of the view that the price of 42.5-grade cement is a reasonable indicator to reflect the current market status of the cement industry.

Figure 6 illustrates the recent trends of Cement Price Index (CEMPI) from August 2013 to June 2016. This represents the overall prices of 42.5-grade cement in 31 provinces. The base year is 2009 and the base value is 100. It reached a high level in December 2013 and after that, it kept decreasing and maintained at a stable level at around 80 from August 2015 until now.

Figure 6 — Trends of CEMPI from August 2013 to June 2016



Source: Ministry of Industry and Information Technology of the People's Republic of China

In preparing the industry overview, we have discussed with the Management to understand the operation of the Business Enterprises and the cement industry, as well as performed independent researches on publicly available information, and then presented the relevant findings on the cement industry. In the course of our research, we noted that there was limited statistical information on 32.5-grade and 52.5-grade cement prices. We are of the view that as the intention of the industry overview section is to provide the viewer the overall condition of the cement industry, we do not express any view on the information obtained. Nevertheless, given the cement price analysis would not have any direct impact on the adopted methodology (as discussed in section 8 of this report) and hence the valuation of the Business Enterprises, we are satisfied with the completeness of such price analysis and industry overview.

5. OVERVIEW OF THE BUSINESS ENTERPRISES

5.1 Overview of the Business Enterprise 1

The Business Enterprise 1 was established in the People's Republic of China ("PRC") in May 2007 as a limited liability company with a registered capital of RMB576,600,000.

The Business Enterprise 1 is headquartered in Gongyi City, Henan Province, the PRC and is principally engaged in manufacture and sale of clinker and cement in Gongyi City and Luoyang City of Henan Province. The Business Enterprise 1 owns a piece of land of 128,321 square meters in Zhi Tian town, Gong Yi City, Henan Province (hereinafter referred to as the "Land"), upon which its principal factories and manufacture base are situated.

The Business Enterprise 1 also holds mining license (hereinafter referred to as the "Mining License") with respect to limestone for cement manufacture (水泥用石灰岩). The limestone site is situated in Gong Yi City, Henan Province with an area of 2.5695 km^2 and its mining license has a validity period from December 2013 to December 2043. All the limestone of the said limestone site is expected to continue its current utilization for the manufacture activities of the Business Enterprise 1 after the completion of the acquisition by the Company of 100% equity interest of the Business Enterprise 1.

5.2 Overview of the Business Enterprise 2

The Business Enterprise 2 was established in the PRC in March 2008 as a limited liability company with a registered capital of RMB294,667,600. The Business Enterprise 2 is headquartered in Dengfeng City, Henan Province, PRC and is principally engaged in the manufacture and sale of clinker and cement in Luoyang City, Gongyi City, Xinmi City and Dengfeng City of Henan Province. Following completion of the acquisition by the Company of 55% equity interest of the Business Enterprise 2, the Business Enterprise 2 will become a subsidiary of the Company.

6. BASIS OF VALUATION

Our valuation was based on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2011, **market value** is defined as "the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

7. INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of the Business Enterprises.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprises provided to us by the Management and have considered such information and data as attainable and reasonable.

The valuation requires consideration of all pertinent factors, which may or may not affect the market values of the Business Enterprises. The factors considered in the valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Business Enterprises;
- The financial information of the Business Enterprises;
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market;
- Relevant licenses and agreements;
- The business risks of the Business Enterprises such as the ability in maintaining competent technical and professional personnel; and
- Investment returns and market transactions of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market values of the Business Enterprises, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

8.3 Asset-Based Approach

The Asset-Based Approach values the business entity by aggregating the costs of developing the asset to its current condition, or replacing the assets of the business entity.

8.4 Business Valuation

In the process of valuing the Business Enterprises, we have taken into account of the operation and financial information of the Business Enterprises and conducted discussions with the Management to understand the status and prospect of the Business Enterprises and the cement industry they are participating. Also, we have considered the accessibility to available data and relevant market transactions in choosing among the valuation approaches. The Income-Based Approach was not adopted because a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made. The Asset-Based Approach was also not adopted because it could not capture the future earning potential of the Business Enterprises and therefore it could not reflect the market values of the Business Enterprises. We have therefore considered the adoption of the Market-Based Approach in arriving at the market values of the Business Enterprises.

By adopting the Market-Based Approach, we have to determine the appropriate valuation multiples of comparable companies, in which we have considered price-to-sales, price-to-earnings and price-to-book multiples. The operation of the Business Enterprises and similar cement companies are heavily depend on their assets, and it is a common industry practice to adopt price-to-book multiple in valuing cement companies. Therefore, we have adopted the price-to-book multiple as we considered it as the most appropriate multiple in calculating the market values of the Business Enterprises.

We have shortlisted several listed companies with similar business nature and operations similar to those of the Business Enterprises as comparable companies for the purposes of the Market-Based Approach. The comparable companies were selected mainly with reference to the following selection criteria:

- The companies are principally engaged in production and sale of cement in the PRC;
- The companies have at least 50% of revenue derived from cement business; and
- The financial information of the companies is available to the public.

The list of selected comparable companies is an exhaustive list based on the aforementioned criteria.

Details of the comparable companies adopted were listed as follows:

Company Name	**Stock Code**	**Listing Location**	**Business Description**
Dongwu Cement International Ltd	695.HK	Hong Kong	Dongwu Cement International Ltd is a cement and clinker producer in Wujang City, Suzhou Prefecture, PRC. The company uses NSP technology in their production process. The company's products are sold in bulk cement form and are used in general cement applications.
Asia Cement China Holdings Corporation	743.HK	Hong Kong	Asia Cement China Holdings Corporation manufactures cement in China. The company excavates the raw materials for, and produces, clinker and different types of cement.
Anhui Conch Cement Company Limited	914.HK	Hong Kong	Anhui Conch Cement Company Limited produces and sells ordinary portland cement, portland cement, portland blast furnace slag cement, compound cement, and commercial clinker.
TCC International Holdings Limited	1136.HK	Hong Kong	TCC International Holdings Limited, through its subsidiaries, manufactures, imports, and distributes cement. The company also produces ready mixed concrete and provides cellular telecommunication services.

Company Name	Stock Code	Listing Location	Business Description
China Tianrui Group Cement Co Ltd.	1252.HK	Hong Kong	China Tianrui Group Cement Co Ltd. is a clinker and produces cement products in Henan and Liaoning provinces. The company's operations range from the excavation of limestone, to the production, sale and distribution of clinker and cement.
Tongfang Kontafarma Holdings Limited	1312.HK	Hong Kong	Tongfang Kontafarma Holdings Limited manufactures and sells cement, clinker and slag throughout China.
China Resources Cement Holdings Limited	1313.HK	Hong Kong	China Resources Cement Holdings Limited, through its subsidiaries, produces, distributes and sells cement, clinker and concrete.
West China Cement Limited	2233.HK	Hong Kong	West China Cement Limited produces and distributes cement products.
China National Building Material Company Ltd.	3323.HK	Hong Kong	China National Building Material Company Ltd. manufactures building materials. The company produces cement, dry wall, ceiling systems, and fiberglass.
Tangshan Jidong Cement Co Ltd	000401.CH	China	Tangshan Jidong Cement Co., Ltd. manufactures and markets portland cement and cement clinker. The company also provides cement machine installation services.
Jinyuan Cement Co Ltd	000546.CH	China	Jinyuan Cement Co., Ltd is an investment holding company. Through its subsidiaries, the company produces and sells cement products, develops and manages real estate.
Gansu Shangfeng Cement Co Ltd	000672.CH	China	Gansu Shangfeng Cement Co Ltd engages in the production and sale of cement.
Jiangxi Wannianqing Cement Co., Ltd.	000789.CH	China	Jiangxi Wannianqing Cement Co., Ltd. manufactures and markets cement and clinker products. The company also manufactures quartz chips and leases properties.

Company Name	Stock Code	Listing Location	Business Description
Xinjiang Tianshan Cement Co., Ltd.	000877.CH	China	Xinjiang Tianshan Cement Co., Ltd. manufactures and markets a variety of cement and its related products. The company's products include normal cement, composite cement, portland cement, concrete, clinker, and other related products.
Henan Tongli Cement Co., Ltd.	000885.CH	China	Henan Tongli Cement Co., Ltd. produces and sells cement. The company's products include ordinary Portland cement, Portland slag cement and other cement equipments.
Sichuan Shuangma Cement Co., Ltd.	000935.CH	China	Sichuan Shuangma Cement Co., Ltd. manufactures and markets cement and cement products. Through its subsidiaries, the company also generates electric power and trades construction materials.
Guangdong Tapai Group Co., Ltd.	002233.CH	China	Guangdong Tapai Group Co., Ltd. manufactures and markets cements.
Xinjiang Qingsong Building Materials and Chemicals Group Co., Ltd.	600425.CH	China	Xinjiang Qingsong Building Materials and Chemicals Group Co., Ltd. manufactures and markets cement, cement products, and chemical products. The company's products include portland cement, concrete, phosphate fertilizers, and other related products.
Ningxia Building Materials Group Co., Ltd.	600449.CH	China	Ningxia Building Materials Group Co., Ltd. manufactures and retails cement, clinker, and unplasticised polyvinyl chloride (UPVC) pipes.
Taiyuan Lionhead Cement Co Ltd	600539.CH	China	Taiyuan Lionhead Cement Co., Ltd. manufactures and sells portland cement, aluminate cement, concrete, and clinker.
Gansu Qilianshan Cement Group Co., Ltd.	600720.CH	China	Gansu Qilianshan Cement Group Co., Ltd. develops and manufactures cement and cement products. The company's products include portland cement, low-alkali cement, sulphate resistant cement, clinker, concrete, and other related products. The company mainly sells its products in northwest China.

Company Name	Stock Code	Listing Location	Business Description
Huaxin Cement Co Ltd	600801.CH	China	Huaxin Cement Co., Ltd. manufactures and markets cement products. The company also provides cement-related technical service, installs and maintains cement production equipment, and imports and exports cement and other building materials.
Fujian Cement Inc	600802.CH	China	Fujian Cement Inc. manufactures and markets Portland cement, clinker, bricks, and other building materials. Through its subsidiaries, the company also operates in real estate development and truck transportation.
Yunnan Bowin Technology Industry Co. Ltd.	600883.CH	China	Yunnan Bowin Technology Industry Co. Ltd. manufactures and sells Portland cement. Its cement products include Portland cement, bulk Portland cement and compound Portland cement.

Source: Bloomberg

The price-to-book ("P/B") multiples of the aforementioned comparable companies were listed as follows:

Company Name	Stock Code	Total Asset *(million RMB)*	P/B Multiple
Dongwu Cement International Ltd	695.HK	497	2.07
Asia Cement China Holdings Corporation	743.HK	16,068	0.28
Anhui Conch Cement Co Limited	914.HK	103,123	1.36
TCC International Holdings Limited	1136.HK	28,157	0.50
China Tianrui Group Cement Co Ltd.	1252.HK	24,625	0.54
Tongfang Kontafarma Holdings Limited	1312.HK	2,294	2.46
China Resources Cement Holdings Limited	1313.HK	47,367	0.76
West China Cement Limited	2233.HK	11,126	0.62
China National Building Material Company Ltd.	3323.HK	346,956	0.39
Tangshan Jidong Cement Co Ltd	000401.CH	40,136	1.41
Jinyuan Cement Co Ltd	000546.CH	4,979	3.49
Gansu Shangfeng Cement Co Ltd	000672.CH	5,886	3.16
Jiangxi Wannianqing Cement Co., Ltd.	000789.CH	8,512	1.61
Xinjiang Tianshan Cement Co., Ltd.	000877.CH	19,692	0.99
Henan Tongli Cement Co., Ltd.	000885.CH	6,077	3.29
Sichuan Shuangma Cement Co., Ltd.	000935.CH	5,325	5.27
Guangdong Tapai Group Co., Ltd.	002233.CH	6,087	1.76
Xinjiang Qingsong Building Materials and Chemicals Group Co., Ltd.	600425.CH	10,932	1.36
Ningxia Building Materials Group Co., Ltd.	600449.CH	7,659	1.08
Taiyuan Lionhead Cement Co Ltd	600539.CH	911	8.23
Gansu Qilianshan Cement Group Co., Ltd.	600720.CH	11,663	1.13
Huaxin Cement Co Ltd	600801.CH	25,962	1.09
Fujian Cement Inc	600802.CH	4,653	4.61
Yunnan Bowin Technology Industry Co. Ltd.	600883.CH	705	6.00
Median P/B Multiple			**1.39**

Source: Bloomberg

Note: The median P/B multiple was adopted to minimize the effect of outliers.

The P/B multiple adopted was the median of the P/B multiples of the above comparable companies as at the Date of Valuation as extracted from Bloomberg. We noticed that the P/B multiples of the comparable companies range from 0.28 to 8.23, and considering adopting other common calculation, such as taking the mean of the data set, may be distorted by data of extreme value. As such, we are of the view that it is fair and reasonable to adopted the median of the P/B multiples, given that this could at the same time consider all comparable companies and would not be distorted by outliers. We have list out the asset sizes of the comparable companies for comparison. However, since we have not found any conclusive study suggesting direct relationship between the assets size and the P/B multiple of the Comparable Companies, we did not make any adjustment on the multiple regarding asset size in arriving at the market values of the Business Enterprises. As advised by the Management, the audited financial statements of the Business Enterprises as at 30 September 2016 were not available as at the Date of Valuation. We have adopted the latest available audited net asset values of the Business Enterprises based on the audited financial statements of the Business Enterprise 1 and the Business Enterprise 2 as at 30 June 2016, which were RMB587,686,000 and RMB498,453,000 respectively. According to the Management, the Management was well aware of the actual status of the Business Enterprise as at 30 September 2016, whereby they do not notice any change or event prior to the Date of Valuation that may materially affect the status of the Business Enterprises, and hence there is no material difference on the net asset values of the Business Enterprises as at 30 June 2016 and 30 September 2016. Then we obtained the market values of the Business Enterprises by applying the median price-to-book multiple to the net asset values of the Business Enterprises.

8.4.1 Marketability Discount and Control Premium

Compared to similar interests in public companies, ownership interests in closely held companies are not readily marketable. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. We have made reference to the 2016 edition of the FMV Restricted Stock Study Companion Guide (the "Guide") by FMV Opinions, Inc., one of the national preeminent firms offering a broad range of financial advisory services to private and public companies. According to the Guide, a total of 736 private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 through September 2015 were examined. With reference to the Guide, we have adopted the median marketability discount for the 736 transactions of 16.11% in arriving at the market values of the Business Enterprises as at the Date of Valuation. The median marketability discount was adopted to minimize the effect of extreme data.

In addition, as we are considering the values of the Business Enterprises from the perspective of controlling interest, the median control premium for international transaction of 26.70% has been adopted to reflect the higher marketability of a controlling interest compared to a minority interest with reference to the Mergerstat Control Premium Study (1st Quarter 2016) (the "Study") published by FactSet Mergerstat, LLC, an independent information provider for merger and acquisition transaction data. The median control premium was adopted to minimize the effect of extreme data. The Study examined 116 transactions (comprising 56 U.S. transactions and 60 international transactions) whereby 50.01% or more of a company was acquired for the 1st quarter of 2016. According to the Study, the scope includes only completed transactions where the target company was publicly traded.

8.5 Calculation Details

The calculation details of the market value of the Business Enterprise 1 were illustrated as follows:

	Net Asset Values of Business Enterprise 1 (RMB)	587,686,000
x	Median P/B Multiple	1.39
	Market Value before applying Marketability Discount and Control Premium (RMB)	815,002,945
x	Adjusted for Marketability Discount	(1 – 16.11%)
x	Adjusted for Control Premium	(1 + 26.70%)
	100% Equity Interest Market Value (RMB)	866,255,464
	Rounded Value (RMB)	**866,000,000**

Note: The totals may not sum due to rounding.

The calculation details of the market value of the Business Enterprise 2 were illustrated as follows:

	Net Asset Values of Business Enterprise 2 (RMB)	498,453,000
x	Median P/B Multiple	1.39
	Market Value before applying Marketability Discount and Control Premium (RMB)	691,254,620
x	Adjusted for Marketability Discount	(1 – 16.11%)
x	Adjusted for Control Premium	(1 + 26.70%)
	100% Equity Interest Market Value (RMB)	734,725,066
	55% Equity Interest Market Value (RMB)	404,098,786
	Rounded Value (RMB)	**404,000,000**

Note: The totals may not sum due to rounding.

9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- We understand that the audited financial statements of Business Enterprises as at 30 September 2016 were not available as at the Date of Valuation. According to the Management, the Management was well aware of the actual status of the Business Enterprise as at 30 September 2016, whereby they do not notice any change or event prior to the Date of Valuation that may materially affect the status of the Business Enterprises, and hence there is no material difference on the net asset values of the Business Enterprises as at 30 June 2016 and 30 September 2016. As at our report date, no projections or forecast was considered by us in performing the valuation;

- The Business Enterprises would operate normally, in which major business assets of the Business Enterprises would be maintained in functional and workable conditions, free from possible emergency conditions or natural disaster events;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Business Enterprises operate or intend to operate would be officially obtained and renewable upon expiry;

- There will be sufficient supply of technical staff in the industry in which the Business Enterprises operate, and the Business Enterprises will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

- There will be no major change in the current taxation laws in the localities in which the Business Enterprises operate or intend to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Business Enterprises operate or intend to operate, which would adversely affect the revenues attributable to and profitability of the Business Enterprises; and

- Interest rates and exchange rates in the localities for the operation of the Business Enterprises will not differ materially from those presently prevailing.

10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market values of the Business Enterprises. The factors considered included, but were not necessarily limited to, the following:

- Audited financial statements of the Business Enterprises as at 30 June 2016;

- Historical information of the Business Enterprises;

- General descriptions in relation to the Business Enterprises; and

- Economic outlook in the PRC.

We have discussed the details with the Management. We have also conducted research from various sources to verify the reasonableness and fairness of information provided and we believe that such information is reasonable and reliable. We had assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion.

11. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events or circumstances have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the company background, business nature and financial information of the Business Enterprises provided to us by the Management.

To the best of our knowledge, all data set forth in this report after we considered are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy, but is reasonable.

We have relied on the historical and/or prospective information provided by the Management and other third parties to a considerable extent in arriving at our opinion of values. The information has been reviewed by us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of the Business Enterprises was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the businesses as well as the market values.

We have not considered any relevant legal opinion or investigated the title to or any legal liabilities of the Business Enterprises, and have assumed no responsibility for the title to the Business Enterprises appraised. In case of any relevant legal issue that significantly changes the financial performances or operations of the Business Enterprises, there may have material impact on our opinion of values.

Our conclusion of values was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

12. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Company, the Business Enterprises and the associated companies, or the values reported herein.

13. OPINION OF VALUES

Based on the investigation and analysis stated above and on the valuation method employed, the market values of 100% equity interest in the Business Enterprise 1 and 55% equity interest in the Business Enterprise 2 as at the Date of Valuation, in our opinion, were reasonably stated as follows:

	RMB
100% Equity interest in the Business Enterprise 1	866,000,000
55% Equity interest in the Business Enterprise 2	404,000,000

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Group.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular (other than the information relating to the Controlling Shareholders and parties acting in concert with any of them) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than the information relating to the Controlling Shareholders and parties acting in concert with any of them) and confirm, having made all reasonable inquires, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of Yu Kuo, Chairman Li, accepts full responsibility for the accuracy of the information contained in this circular relating to the Controlling Shareholders and parties acting in concert with any of them, and confirms, having made all reasonable inquires, that to the best of his knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. MARKET PRICES

(a) The table below sets out the closing prices of the Shares quoted on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date, respectively:

Month	**Closing price per Share** *(HK$)*
May 2016	2.17
June 2016	2.20
July 2016	2.10
August 2016	2.20
September 2016	1.99
October 2016	1.92
24 November 2016 (being the Last Trading Day)	1.92
November 2016	2.00
23 December 2016 (being the Latest Practicable Date)	1.91

(b) The highest and the lowest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$2.40 on 29 August 2016 and HK$1.85 on 17 October 2016, 18 October 2016 and 19 October 2016, respectively.

3. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Authorised share capital

Shares		*HK$*
Ordinary shares of HK$0.01 each		
10,000,000,000		100,000,000.00

Issued and fully paid up (or to be issued and fully paid up) share capital

Shares		*HK$*
Ordinary shares of HK$0.01 each		
2,400,900,000	(as at the Latest Practicable Date)	24,009,000
537,381,647	(number of the Consideration Shares to be issued)	5,373,816.47
2,938,281,647	(total)	29,382,816.47

All the Shares in issue and the Consideration Shares to be issued will (when allotted and fully paid or credited as fully paid) rank *pari passu* in all respects with each other as regards dividends, voting rights and return of capital. The holders of the Consideration Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Consideration Shares.

Since 31 December 2015 (being the end of the last financial year of the Company) and up to and including the Latest Practicable Date, no new Shares had been issued by the Company and as at the Latest Practicable Date, the Company did not have any outstanding options, warrants or securities which will be convertible or exchangeable into Shares.

4. DISCLOSURE OF INTERESTS

Substantial Shareholders' Interests and Short Positions in Securities

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the followings were the persons, who had or were deemed or taken to have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of Interests	Long/Short Position	Total number of shares	Approximate percentage of shareholding (%)
Yu Kuo	Beneficial owner(1)	Long Position	1,487,381,647(2)	61.95
Holy Eagle	Interests in controlled corporation(1)	Long Position	1,487,381,647(2)	61.95
Yu Qi	Interests in controlled corporation(1)	Long Position	1,487,381,647(2)	61.95
Chairman Li	Interests in controlled corporation(1)	Long Position	1,487,381,647(2)	61.95
Tianrui International	Interests in controlled corporation(1)	Long Position	1,487,381,647(2)	61.95
Tianrui Group Company	Interests in controlled corporation(1)	Long Position	1,487,381,647(2)	61.95
Mrs. Li	Interests in controlled corporation(1)	Long Position	1,487,381,647(2)	61.95
Wan Qi	Beneficial owner(3)	Long Position Short Position	689,400,000 345,215,420	28.71 14.38
Mr. Tang Ming Chien	Interests in controlled corporation(3)	Long Position Short Position	689,400,000 345,215,420	28.71 14.38
Export-Import Bank of China	People having a security interest in shares(4)	Long Position	515,000,000	21.45
Ministry of Finance of the People's Republic of China	Interests in controlled corporation(4)	Long Position	515,000,000	21.45

Name of Shareholder	Capacity/ Nature of Interests	Long/Short Position	Total number of shares	Approximate percentage of shareholding (%)
PA Investment Funds SPC — PA Greater China Industrial Opportunities Fund Segregated Portfolio	Beneficial Owner	Long Position	237,600,000	9.90
Central China International Investment Company Limited 中州國際投資有限公司	People having a security interest in shares[(5)]	Long Position	174,603,175	7.27
Central China International Financial Holdings Company Limited 中州國際金融控股有限公司	Interests in controlled corporation[(5)]	Long Position	174,603,175	7.27
Central China Securities Co. Ltd. 中原證券股份有限公司	Interests in controlled corporation[(5)]	Long Position	174,603,175	7.27
Xiamen International Bank Co., Ltd. Zhuhai Branch 廈門國際銀行股份有限公司珠海分行	People having a security interest in shares	Long Position	140,000,000	5.83
Yue Xiu Asset Management Limited越秀資產管理公司	Investment Manager[(6)]	Long Position	123,000,000	5.12
Yue Xiu Investment Fund Series Segregated Portfolio Company 越秀基金獨立投資組合公司	Beneficial Owner[(6)]	Long Position	123,000,000	5.12

Notes:

(1) Yu Kuo is owned as to 51.25% and 48.75% by Holy Eagle and Yu Qi respectively. Holy Eagle and Yu Qi are wholly owned by Tianrui International which is in turned wholly owned by Tianrui Group Company. Tianrui Group Company is owned as to 70% and 30% by Chairman Li and Mrs. Li respectively. Each of Chairman Li, Mrs. Li, Tianrui Group Company, Tianrui International, Holy Eagle and Yu Qi is deemed to be interested in the Shares owned by Yu Kuo.

(2) As at the Latest Practicable Date, Yu Kuo was interested in (i) 950,000,000 existing Shares and (ii) 537,381,647 Consideration Shares pursuant to the Acquisition Agreement. Each of Chairman Li, Mrs. Li, Tianrui Group Company, Tianrui International, Holy Eagle and Yu Qi is deemed to be interested in the Shares owned by Yu Kuo.

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

(4) Yu Kuo pledged 515,000,000 Shares of the Company held by it, representing approximately 21.45% of the issued share capital of the Company, to a financial institution designated by the institutional lender as a condition of the loan advanced by the lender on 26 May 2016.

(5) Central China International Financial Holdings Company Limited and Central China Securities Co. Ltd. are deemed to be interested in the Shares held by Central China International Investment Company Limited, as Central China International Investment Company Limited is wholly owned by Central China International Financial Holdings Company Limited, which is in turn wholly owned by Central China Securities Co. Ltd..

(6) Yue Xiu Asset Management Limited is deemed to be interested in the Shares owned by Yue Xiu Investment Fund Series Segregated Portfolio Company, as Yue Xiu Asset Management Limited is the investment manager of Yue Xiu Investment Fund Series Segregated Portfolio Company.

Saved as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, no other person had or was deemed or taken to have any interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or was recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives in the Shares, underlying Shares or debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Chairman Li[1]	Interests in controlled corporation/Long position	1,487,381,647	61.95

Notes:

(1) Yu Kuo is owned as to 51.25% and 48.75% by Holy Eagle and Yu Qi respectively. Each of Holy Eagle and Yu Qi is wholly owned by Tianrui International which is in turn wholly owned by Tianrui Group Company. Tianrui Group Company is owned as to 70% and 30% by Chairman Li and Mrs. Li respectively. Chairman Li is deemed to be interested in the shares held by Yu Kuo.

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

5. DIRECTORS' INTERESTS IN COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of the Directors and their respective close associates (as defined in the Listing Rules) having interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, save and except for the Target Companies (details of which are set out in the letter from the Board in this circular) and the following:

(1) Ruiping Shilong

As at the Latest Practicable Date, Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司) ("**Ruiping Shilong**") is a limited liability company incorporated in the PRC, of which 40% is owned by Tianrui Cement (the Company's wholly-owned subsidiary) and 60% is owned by Ruiping Power. Ruiping Power is held by Tianrui Foundry as to 40% and by an Independent Third Party of the Company as to 60%. Ruiping Shilong is engaged in manufacturing and selling clinker in Pingdingshan City, Henan province, so its business competes with the Company's clinker operation in those areas.

As at the Latest Practicable Date, the Directors held the view that the Group is financially and operationally independent from Ruiping Shilong. The Controlling Shareholders currently have no intention to inject their indirect interest in Ruiping Shilong into the Group.

(2) Shanshui Cement

As at the Latest Practicable Date, Tianrui International, a wholly-owned subsidiary of Tianrui Group Company, holds a total of 951,462,000 shares of China Shanshui Cement Group Limited (691.HK) ("**Shanshui Cement**", a company which is listed on the Main Board of the Stock Exchange) representing approximately 28.16% issued share capital of Shanshui Cement. Shanshui Cement is engaged in production of clinker and cement in China.

As at the Latest Practicable Date, the Directors held the view that the Group is financially and operationally independent from Shanshui Cement. The Company has an option to acquire the shares in Shanshui Cement pursuant to the Non-competition Deed, but has decided not to exercise the said option at this stage after considering, among others, the reasons set out under "Non-competition Deed and reasons for the Acquisition" as set out in the "Letter from the Board".

(3) Tongli Cement

As at the Latest Practicable Date, Tianrui Group Company holds a total of 71,365,588 shares ("**Tongli Shares**") of Henan Tongli Cement Co., Ltd. (000885) ("**Tongli Cement**", a company which is listed on the Shenzhen Stock Exchange), representing approximately 15.03% equity interests of Tongli Cement. Tongli Cement is engaged in, among others, the manufacture and sale of cement in China.

As at the Latest Practicable Date, the Directors held the view that the Group is financially and operationally independent from Tongli Cement. The Company has an option to acquire the shares in Tongli Cement pursuant to the Non-competition Deed, but has decided not to exercise the said option at this stage after considering, among others, the reasons set out under "Non-competition Deed and reasons for the Acquisition" as set out in the "Letter from the Board".

6. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance and so far as the Directors were aware, no litigation, arbitration or claim of material importance was pending or threatened by or against any member of the Group or to which the Company or any of its subsidiaries was, or might become, a party.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, (i) none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which would not expire or was not determinable within one year without payment of compensation, other than statutory compensation; (ii) there were no service contracts between any of the Directors and the Company or any of its subsidiaries or associated companies which (including both continuous and fixed term contracts) had been entered into or amended within six months before the date of the Latest Practicable Date; (iii) there were no service contracts between any of the Directors and the Company or any of its subsidiaries or associated companies which are continuous contracts with a notice period of 12 months or more; or (iv) there were no service contracts between any of the Directors and the Company or any of its subsidiaries or associated companies which are fixed term contracts with more than 12 months to run irrespective of the notice period.

8. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors of the Company had any interest in any assets which have been since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group, except for the proposed acquisition of 100% equity interest in Yongan Cement and 55% equity interest in Xindeng Cement from Tianrui Group Company, details of which are set out in the letter from the Board in this circular.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group, save for (i) the clinker supply framework agreement dated 25 March 2014 ("**Clinker Supply Framework Agreement**") as disclosed in the circular of the Company dated 25 April 2014, (ii) the limestone supply framework agreement dated 25 March 2014 as disclosed in the circular of the Company dated 25 April 2014 ("**Limestone Supply Framework Agreement**"), (iii) the definite JV memorandum dated 21 August 2015 ("**Definite JV Memorandum**") as disclosed in the announcement of the Company dated 23 August 2015, (iv) the framework agreement disclosed in the announcement dated 24 September 2015 ("**2015 Framework Agreement**"), (v) the counter guarantee agreement disclosed in the announcement of the Company dated 24 September 2015 ("**2015 Counter Guarantee Agreement**"), and (vi) the Acquisition Agreement dated 25 November 2016 disclosed in the Announcement, the salient nature of which is as follows:

(i) On 25 March 2014, Tianrui Cement (as purchaser) and Ruiping Shilong (as supplier) entered into the Clinker Supply Framework Agreement for a term commencing from 25 March 2014 to 31 December 2016, which sets out the general terms and conditions for the purchase of the clinker by Tianrui Cement and/or its subsidiaries from Ruiping Shilong. The prices payable by Tianrui Cement for the clinker will be agreed following arm's length negotiations between relevant parties with reference to the prevailing market price of clinker in Pingdingshan, Henan province, with terms no less favorable than those available from independent third parties. The maximum aggregate annual amount payable by Tianrui Cement (and/or its subsidiaries) to Ruiping Shilong (and/or its subsidiaries) for purchase of clinker for the three years ending 31 December 2016 shall not exceed RMB360,000,000, RMB480,000,000 and RMB480,000,000 respectively.

(ii) On 25 March 2014, Ruiping Shilong (as purchaser) and Tianrui Cement (as supplier) entered into the Limestone Supply Framework Agreement for a term commencing from 25 March 2014 to 31 December 2016, which sets out the general terms and conditions for the purchase of the limestone by Ruiping Shilong from Tianrui Cement and/or its subsidiaries. The prices payable by Ruiping Shilong for the limestone will be agreed following arm's length negotiations between relevant parties with reference to the prevailing market price of limestone in Pingdingshan, Henan province, with terms no less favorable than those available from independent third parties. The maximum aggregate annual amount payable by Ruiping Shilong (and/or its subsidiaries) to Tianrui Cement (and/or its subsidiaries) for purchase of limestone for the three years ending 31 December 2016 will not exceed RMB60,000,000, RMB60,000,000 and RMB60,000,000 respectively.

(iii) On 21 August 2015, Tianrui Cement (a wholly-owned subsidiary of the Company) and the JV Partners (Tianrui Group Company and its two subsidiaries being Tianrui Travel and Tianrui Foundry) entered into the Definitive JV Memorandum with respect to the contribution commitment to and the operation of JV Finance Company whose principal business activity is to integrate internal and external financial resources, strengthen risk control, aggregate idle funds, decrease financing cost, accelerate turnover of capital to increase capital usage efficiency, effectively bring into play the existing financial and capital economies of scale of the Company and Tianrui Group Company so as to cater for the financing needs of the Company and Tianrui Group Company. The contribution commitment of the JV Partners and Tianrui Cement to the JV Finance Company are RMB195,000,000 and RMB105,000,000 respectively, and the equity interest owned by the JV Partners and Tianrui Cement in the JV Finance Company amounted to 65% and 35% respectively. For further details, please refer to the announcement of the Company dated 23 August 2015.

(iv) On 24 September 2015, Tianrui Group Company and Tianrui Cement entered into the 2015 Framework Agreement with a term from 27 November 2015 to 31 December 2017 (the "**Term**"). Pursuant to the 2015 Framework Agreement, Tianrui Group Company, an associate of Chairman Li, has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries ("**Tianrui Group Guarantee**"). According to the same agreement, Tianrui Cement has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, for bank loans to be borrowed and/or debentures or corporate bonds to be issued by Tianrui Group Company or any of its subsidiaries ("**Tianrui Cement Guarantee**"). The maximum daily balance of Tianrui Cement Guarantee is RMB2,500,000,000 for the period between 27 November 2015 and 31 December 2015, the year ending 31 December 2016 and the year ending 31 December 2017 respectively. The maximum daily balance of Tianrui Group Guarantee is RMB6,000,000,000 for the period between 27 November 2015 and 31 December 2015, the year ending 31 December 2016 and the year ending 31 December 2017 respectively.

(v) On 24 September 2015, Chairman Li and Tianrui Cement entered into the 2015 Counter Guarantee Agreement, pursuant to which Chairman Li agreed to provide certain guarantee and indemnity with respect to Tianrui Cement's obligations under the 2015 Framework Agreement.

(vi) On 25 November 2016, the Company and Tianrui Group Company entered into the Acquisition Agreement with respect to the Company's proposed acquisition of 100% equity interest in Yongan Cement and 55% equity interest in Xindeng Cement from Tianrui Group Company. For further details, please refer to the letter from the Board in this circular.

9. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given their advice for inclusion in this circular:

Name	Qualification
Roma Appraisals Limited	Independent property valuer
BMI Appraisals Limited	Independent property valuer
TC Capital International Limited	a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Central China International Capital Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Company
Deloitte Touche Tohmatsu	Certified public accountants

As at the Latest Practicable Date, each of the aforesaid experts had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name and/or opinion in the form and context in which it appears.

As at the Latest Practicable Date, each of the aforesaid experts had not direct or indirect interest in any assets which had been, since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

As at the Latest Practicable Date, each of the aforesaid experts did not have any shareholding in the Company or any other member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any other member of the Group.

10. EXPERTS' INTERESTS IN ASSETS

As at the Latest Practicable Date, the experts referred to in the paragraph named "9. Qualification and Consent of Experts" above did not have any interest in any assets which have been since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by the members of the Group after the date two years immediately preceding the date of the Announcement, and up to and including the Latest Practicable Date, and were or may be material:

(a) the Definite JV Memorandum entered into between Tianrui Cement and JV Partners on 21 August 2015 with respect to the contribution commitment to and the operation of the JV Finance Company, details of which is set out in the paragraph headed "Directors' interest in assets or contracts" to this Appendix and the announcement of the Company dated 23 August 2015;

(b) an acquisition agreement entered into between the Company and Tianrui Group Company on 9 September 2015 (the "**Terminated Acquisition Agreement**") with respect to the Company's proposed acquisition of 100% equity interest in Yongan Cement at a consideration of RMB842,016,891, details of which is set out in the announcement of the Company dated 9 September 2015;

(c) 2015 Framework Agreement, being the framework agreement dated 24 September 2015, entered into between Tianrui Group Company and Tianrui Cement, pursuant to which the parties thereto have agreed to provide certain guarantees to each other, details of which is set out in the paragraph headed "Directors' interest in assets or contracts" to this Appendix and the circular of the Company dated 30 October 2015;

(d) 2015 Counter Guarantee Agreement, being the counter guarantee agreement dated 24 September 2015, entered into between Chairman Li and Tianrui Cement, pursuant to which Chairman Li agreed to provide certain guarantee and indemnity with respect to Tianrui Cement's obligations under the 2015 Framework Agreement, details of which is set out in the paragraph headed "Directors' interest in assets or contracts" to this Appendix and the circular of the Company dated 30 October 2015;

(e) a deed of termination dated 24 March 2016 entered into between the Company and Tianrui Group Company to terminate the Terminated Acquisition Agreement, pursuant to which all antecedent obligations and liabilities of the parties under the Terminated Acquisition Agreement shall be absolutely discharged and released in all aspects with immediate effect and neither the Company nor the Tianrui Group Company would have any claim against the other under the Terminated Acquisition Agreement, details of which is set out in the announcement of the Company dated 24 March 2016; and

(f) the Acquisition Agreement entered into between the Company and Tianrui Group Company on 25 November 2016 with respect to the Company's proposed acquisition of 100% equity interest in the Yongan Cement and 55% equity interest in Xindeng Cement from Tianrui Group Company at a total consideration of RMB919,000,000, details of which is set out in the Letter from the Board in this circular.

12. ADDITIONAL DISCLOSURE UNDER THE TAKEOVERS CODE

(a) As at the Latest Practicable Date, save for Chairman Li's 70% shareholding interest in Tianrui Group Company which in turn directly or indirectly wholly owned Tianrui International, Holy Eagle, Yu Qi and Yu Kuo, neither the Company nor the Directors were interested in any shares, convertible securities, warrants, options or derivatives of the shares of Yu Kuo, Holy Eagle, Yu Qi, Tianrui International and Tianrui Group Company (and parties acting or presumed to be acting in concert with them), nor had the Company or the Directors dealt for value in any shares, convertible securities, warrants, options or derivatives of the shares of Yu Kuo, Holy Eagle, Yu Qi, Tianrui International and Tianrui Group Company (and parties acting or presumed to be acting in concert with them) during the Relevant Period.

(b) As at the Latest Practicable Date, save for Chairman Li's 70% shareholding interest in Tianrui Group Company which in turn directly or indirectly wholly owned Tianrui International, Holy Eagle, Yu Qi and Yu Kuo (who directly holds approximately 39.57% shareholding interest in the Company), none of the directors of Yu Kuo, Holy Eagle, Yu Qi, Tianrui International and Tianrui Group Company (and parties acting in concert with them) was interested in any Shares of the Company or convertible securities, warrants, options or derivatives of the Shares of the Company; nor had any such directors dealt for value in any shares, convertible securities, warrants, options or derivatives of the Shares of the Company during the Relevant Period except for he Acquisition Agreement (as set out in the Letter from the Board in this circular).

(c) As at the Latest Practicable Date, no person had irrevocably committed himself/herself to vote for or against the resolutions on the Acquisition and/or the Whitewash Waiver.

(d) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with (i) Yu Kuo, Holy Eagle, Yu Qi, Tianrui International, Tianrui Group Company, Chairman Li and Mrs. Li, or parties acting in concert with them; or (ii) the Company or any person who was an associate of the Company by virtue of class (1), (2), (3) or (4) of the definition of associate in the Takeovers Code.

(e) As at the Latest Practicable Date, neither any pension fund of the Group nor a subsidiary of the Company nor any adviser of the Company as specified in class (2) of the definition of associate in the Takeovers Code, owned or controlled any Shares, convertible securities, warrants, options, or derivatives of the Shares.

(f) As at the Latest Practicable Date, no Shares, convertible securities, warrants, options, or derivatives of the Shares were managed on a discretionary basis by any fund managers connected with the Company.

(g) As at the Latest Practicable Date, no Shares, convertible securities, warrants, options or derivatives of the Shares had been borrowed or lent by the Company or the Directors.

(h) As at the Latest Practicable Date, there was no material contract entered into by Chairman Li, Mrs. Li, Yu Kuo, Holy Eagle, Yu Qi, Tianrui International and Tianrui Group Company, and parties acting in concert with them in which any Director (other than Chairman Li and Mr. Li Jiangming (李江銘) who is the younger brother of Mrs. Li and an executive director of the Company) had a material personal interest.

(i) As at the Latest Practicable Date, save for the Acquisition Agreement, there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Acquisition and/or the Whitewash Waiver or otherwise connected with the Acquisition and/or the Whitewash Waiver.

(j) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) existed between Chairman Li, Mrs. Li, Yu Kuo, Holy Eagle, Yu Qi, Tianrui International and Tianrui Group Company, and parties acting in concert with them and any Directors, recent directors, Shareholders or recent Shareholders having any connection with or dependence upon the Acquisition and/or the Whitewash Waiver.

(k) As at the Latest Practicable Date, none of Chairman Li, Mrs. Li, Yu Kuo, Holy Eagle, Yu Qi, Tianrui International and Tianrui Group Company, and parties acting in concert with them had entered into any agreements, arrangement or understanding to transfer, charge or pledge any Consideration Shares to be acquired pursuant to the Acquisition.

(l) As at the Latest Practicable Date, no benefit had been given or will be given to any Directors as compensation for loss of office or otherwise in connection with the Acquisition and/or the Whitewash Waiver.

(m) As at the Latest Practicable Date, except for Yu Kuo (which is indirectly owned as to 70% by Chairman Li) who will abstain from voting at the EGM, no other Directors had own any beneficial interest in any Shares of the Company which would confer any voting rights to any of them at the EGM.

13. GENERAL

(a) The joint company secretaries of the Company are Mr. Yu Chunliang, Ms. Kwong Yin Ping Yvonne and Mr. Li Jiangming. Ms. Kwong Yin Ping Yvonne is a Fellow of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

(b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The headquarters and principal place of business in the PRC of the Company is at 21st Floor, Hailian Building, Shang Wu Wai Huan Road No. 20, Zheng Dong Xin District, Zhengzhou City, Henan Province, PRC.

(c) The Company's place of business in Hong Kong and the correspondence address is at Room 2005A, 20/F., Lippo Centre Tower 2, 89 Queensway, Admiralty, Hong Kong.

(d) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited.

(e) The principal share registrars of the Company is Codan Trust Company (Cayman) Limited.

(f) The registered office address of Yu Kuo is P.O Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Its sole director is Chairman Li. Yu Kuo's correspondence address in Hong Kong is at Room 2005A, 20/F., Lippo Centre Tower 2, 89 Queensway, Admiralty, Hong Kong.

(g) The registered office address of Yu Qi is P.O Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Its sole director is Chairman Li.

(h) The registered office address of Holy Eagle is P.O Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Its sole director is Chairman Li.

(i) The registered office address of Tianrui International is P.O Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Its sole director is Chairman Li.

(j) The registered office address of Tianrui Group Company is South Guangcheng Road, Ruzhou City, People's Republic of China. Its directors are Chairman Li, Mrs. Li, Li Fashen, Wang Delong and Ma Yongzheng. Its legal representative is Chairman Li.

(k) The registered office address of Wan Qi is P.O Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Its sole director is Tang Ming Chien.

(l) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in the case of inconsistency.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) at the principal place of business of the Company in Hong Kong at Room 2005A, 20/F, Lippo Centre Tower 2, 89 Queensway, Admiralty, Hong Kong during normal business hours from 9 a.m. to 6 p.m. on any weekday other than public holidays; (ii) on the website of the Company (http://www.trcement.com); and (iii) on the website of the SFC (www.sfc.hk) from the date of this circular up to and including the date of EGM:

(a) the memorandum and articles of association of the Company;

(b) the memorandum and articles of association of Yu Kuo;

(c) the annual reports of the Company for the financial years ended 31 December 2013, 2014 and 2015;

(d) the interim report of the Company for the six months ended 30 June 2016;

(e) the letter from the Board, the text of which is set out on pages 8 to 29 of this circular;

(f) the letter from the Listing Rules IBC to the Independent Shareholders, the text of which is set out on pages 30 to 31 of this circular;

(g) the letter from the Takeovers Code IBC to the Independent Shareholders, the text of which is set out on pages 32 to 33 of this circular;

(h) the letter of advice from TC Capital to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders, the text of which is set out on pages 34 to 69 of this circular;

(i) the auditors' report of Yongan Cement for the years ended 31 December 2013, 2014 and 2015 and the six months period ended 30 June 2016, the text of which is set out in Appendix II to this circular;

(j) the auditors' report of Xindeng Cement for the years ended 31 December 2015 and the six months period ended 30 June 2016, the text of which is set out in Appendix II to this circular;

(k) the valuation report on properties interests of the Group, the text of which is set out in Appendix III to this circular;

(l) the valuation report on properties interests of the Target Companies, the text of which is set out in Appendix IV to this circular;

(m) the comfort letter from Central China International Capital Limited, the text of which is set out in Part A of Appendix V to this circular;

(n) the valuation report on the Target Companies, the text of which is set out in Part B of Appendix V to this circular;

(o) the written consents referred to in the paragraph headed "Qualification and consent of experts" in this Appendix;

(p) a copy of each material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(q) a copy of the Non-competition Deed;

(r) a copy of each contracts referred to in the paragraph headed "Directors' interest in assets or contracts" in this Appendix; and

(s) this circular.

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)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of China Tianrui Group Cement Company Limited (the "**Company**") will be held at 2: 30 p.m. on 19 January 2017 at Room 1, United Conference Centre Limited, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the acquisition agreement (the "**Acquisition Agreement**") entered into between the Company and Tianrui Group Company Limited ("**Tianrui Group Company**") dated 25 November 2016, a copy of which has been produced to the EGM and marked "A" and initialed by the chairman of the EGM for the purpose of identification, pursuant to which Tianrui Group Company conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Shares (as defined in the circular of the Company dated 30 December 2016 (the "**Circular**")) at the consideration of RMB919,000,000 and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the grant of the Specific Mandate (as defined in the Circular) to the directors of the Company (the "**Director(s)**") to exercise all the powers of the Company to allot and issue the Consideration Shares (as defined in the Circular) at the issue price of HK$1.92 per Share (as defined in the Circular) be and is hereby approved, and any one Director be and is authorised to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his opinion may be necessary, appropriate, desirable or expedient to implement and/or give effect to any matter relating to or incidental to the Specific Mandate; and

(c) any one Director or any two Directors (if the affixation of the common seal is necessary) be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company on) any and all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated under the Acquisition Agreement as he/they may in his/their absolute discretion consider necessary, desirable or expedient to give effect to the Acquisition Agreement and the implementation of all transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in his/their own opinion, in the interest of the Company and its shareholders as a whole."

2. "**THAT** subject to the passing of resolutions numbered 1 above and the Whitewash Waiver (as defined in the Circular) granted or to be granted by the Executive (as defined in the Circular), the Whitewash Waiver be and is hereby approved and any one or more Directors be and is/are hereby authorised to do all things and acts and sign all documents which he/they consider desirable or expedient to implement and/or give full effect to any matters relating to or in connection with the Whitewash Waiver."

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

Hong Kong, 30 December 2016

Registered Office:
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in the PRC:
No. 63 Guangcheng Road East
Ruzhou City
Henan Province
PRC

Place of Business in Hong Kong:
Room 2005A, 20/F., Lippo Centre Tower 2
89 Queensway, Admiralty

Notes:

(a) The register of members of the Company will be closed from Tuesday, 17 January 2017 to Thursday, 19 January 2017 (both dates inclusive), during which period no transfer of shares in the Company will be effected. Shareholders whose names appear on the register of members of the Company as on Thursday, 19 January 2017 are entitled to attend and vote at the EGM. In order to qualify for attending the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 16 January 2017.

(b) Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjourned meeting.

(c) In the case of joint holders of any share, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such shares as if he were solely entitled thereto. However, if more than one of such joint holders is present at the EGM, in person or by proxy, the vote of the joint holder whose name stands first in the register of members and who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s).

(d) Completion and delivery of the form of proxy will not preclude a shareholder from attending and voting at the EGM if you so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.

As at the date hereof, the Board consists of:

Chairman and Non-executive Director
Mr. Li Liufa

Executive Directors
Mr. Xu Wuxue and Mr. Li Jiangming

Non-executive Directors
Mr. Li Heping and Mr. Yang Yongzheng

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

Website: http://www.trcement.com