CHINA TIANRUI GROUP CEMENT COMPANY LIMITED
中國天瑞集團水泥有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1252)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

SUMMARY/FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Revenue	**6,008,605**	6,195,093
Gross profit	**1,516,804**	1,247,154
EBITDA	**2,131,909**	2,130,805
Profit	**249,570**	283,505
Of which: Profit attributable to owners of the Company	**295,812**	313,079
Basic earnings per share *(RMB)*	**0.12**	0.13

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Total assets	**24,116,401**	27,090,642
Of which: Current assets	**7,650,108**	9,921,998
Total liabilities	**16,476,711**	19,672,581
Of which: Current liabilities	**12,109,593**	13,784,777
Total equity	**7,639,690**	7,418,061
Of which: Equity attributable to owners of the Company	**7,758,372**	7,470,283

The board (the "**Board**") of directors (the "**Directors**") of China Tianrui Group Cement Company Limited (the "**Company**") is pleased to announce the audited financial results of the Company and its subsidiaries (the "**Group**" or "**we**" or "**our**") for the year ended 31 December 2016. The Group's financial results have been audited by Deloitte Touche Tohmatsu.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	4, 5	**6,008,605**	6,195,093
Cost of sales		**(4,491,801)**	(4,947,939)
Gross profit		**1,516,804**	1,247,154
Other income	6	**474,509**	491,507
Other gains and losses	7	**(52,096)**	(44,468)
Share of profit of an associate		**4,252**	271
Gains on fair value change of derivative financial assets	13	**82,256**	449,569
Distribution and selling expenses		**(314,125)**	(334,315)
Administrative expenses		**(363,439)**	(374,468)
Other expenses		**(68,717)**	(92,042)
Finance costs	8	**(927,809)**	(1,030,682)
Profit before tax		**351,635**	312,526
Income tax expenses	9	**(102,065)**	(29,021)
Profit and total comprehensive income for the year	10	**249,570**	283,505
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**295,812**	313,079
Non-controlling interests		**(46,242)**	(29,574)
		249,570	283,505

		2016 RMB	2015 RMB
Earnings per share			
Basic	11	**0.12**	0.13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**11,903,679**	12,491,514
Deposits and advances		**2,204,893**	2,431,208
Prepaid lease payments		**801,942**	811,594
Mining rights		**249,902**	255,406
Goodwill		**275,489**	272,311
Other intangible assets		**5,798**	6,607
Interests in associates		**109,523**	105,271
Derivative financial assets	13	**761,065**	678,809
Deferred tax assets	22	**154,002**	115,924
		16,466,293	17,168,644
CURRENT ASSETS			
Inventories		**750,671**	832,241
Trade and other receivables	14	**2,742,283**	3,170,116
Amount due from an associate		**323,774**	508,064
Pledged bank balances	15	**3,107,202**	4,689,266
Cash and bank balances	16	**726,178**	722,311
		7,650,108	9,921,998
CURRENT LIABILITIES			
Trade and other payables	17	**3,584,279**	4,112,868
Short term debentures	18	**—**	3,792,019
Mid-term debentures — due within one year	20	**2,275,183**	1,300,000
Borrowings — due within one year	19	**5,921,033**	4,334,423
Obligations under finance leases		**28,861**	55,358
Tax liabilities		**273,362**	179,472
Financial guarantee contracts		**26,875**	10,637
		12,109,593	13,784,777
NET CURRENT LIABILITIES		**(4,459,485)**	(3,862,779)
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,006,808**	13,305,865

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	2016 *RMB'000*	2015 *RMB'000*
CAPITAL AND RESERVES			
Share capital		**19,505**	19,505
Share premium and reserves		**7,738,867**	7,450,778
Equity attributable to owners of the Company		**7,758,372**	7,470,283
Non-controlling interests		**(118,682)**	(52,222)
TOTAL EQUITY		**7,639,690**	7,418,061
NON-CURRENT LIABILITIES			
Borrowings — due after one year	19	**528,684**	155,000
Mid-term debentures	20	**500,000**	2,384,171
Long-term corporate bonds	21	**3,075,350**	3,057,635
Other payables		—	8,400
Deferred tax liabilities	22	**66,527**	56,054
Deferred income		**174,717**	177,483
Obligations under finance leases		—	28,887
Provision for environmental restoration		**21,840**	20,174
		4,367,118	5,887,804
		12,006,808	13,305,865

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. Tianrui Group Company Limited ("Tianrui Group"), controlled by Mr. Li Liufa, a non-executive director of the Company, indirectly held 39.57% of shares of the Company as at 31 December 2016 and 2015.

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 2016, the Group's current liabilities exceeded its current assets by RMB4,459,485,000. 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 RMB1,546,400,000 in aggregate are available which have been obtained before 31 December 2016, which comprised of:

   (a) a banking facility of RMB710,000,000 from the Agriculture Bank of China which is available until 30 April 2017;

   (b) a banking facility of RMB57,400,000 from the Bank of China which is available until 21 December 2017;

   (c) a banking facility of RMB491,500,000 from the Construction Bank of China which is available until 5 August 2018;

   (d) a banking facility of RMB200,000,000 from the Ping An Bank Company Limited which is available until 28 July 2017;

   (e) a banking facility of RMB87,500,000 from the Industrial & Commercial Bank of China Company Limited which is available until 30 September 2017.

(ii) 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 two years effective period through the lead underwriter, China Bohai Bank Company Limited.

   During the effective period, the Directors are of the view that the Group is able to identify investors and issue new debentures shortly.

(iii) On 9 November 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 RMB1,000,000,000 at any point in two years effective period through the lead underwriter, Bank of Nanjing Company Limited.

During the effective period, the Directors are of the view that the Group is able to identify investors and issue new debentures shortly.

Taking into account of the aforesaid presently available banking facilities, debentures 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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied, for the first time, following amendments to IFRSs that are mandatorily effective in the current year:

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 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 in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
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 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 IFRSs 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.

IFRS 9 Financial Instruments

IFRS9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of IFRS 9 are required to be 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 generally measured at fair value through other comprehensive income. 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 Financial Instruments: Recognition and Measurement. 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 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 2016.

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

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.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The main revenue of the Group are sales of cement and clinker. The performance obligations in the contract are unique and transaction price is specific.

The Directors anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest expense and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows by the Group.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is an operating lease lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

Total operating lease commitments of the Group in respect of leased premises as at 31 December 2016 amounted to RMB 25,839,000, 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. The application of new requirements may result other changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The Directors anticipate that the application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

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

4. REVENUE

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

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

	2016	2015
	RMB'000	*RMB'000*
Sales of cement	**5,736,476**	5,844,586
Sales of clinker	**272,129**	350,507
	6,008,605	6,195,093

5. SEGMENT INFORMATION

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

The Group's Executive Committee 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.

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

	Segment revenue		**Segment profit**	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Central China	**4,532,904**	4,773,973	**361,252**	259,850
Northeastern China	**1,475,701**	1,421,120	**(46,374)**	(358,569)
Total	**6,008,605**	6,195,093	**314,878**	(98,719)
Unallocated corporate administrative expenses			**(20,807)**	(17,138)
Unallocated other gains and losses			**(24,692)**	(21,186)
Unallocated gains on fair value change of derivative financial assets			**82,256**	449,569
Profit before tax			**351,635**	312,526

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment profit represents the profit before taxation without allocation of certain corporate administrative expense including directors' emoluments, 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.

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

	2016	2015
	RMB'000	*RMB'000*
SEGMENT ASSETS		
Central China	**16,080,283**	20,011,165
Northeast China	**7,109,872**	6,277,884
Total segment assets	**23,190,155**	26,289,049
Derivative financial assets	**761,065**	678,809
Deferred tax assets	**154,002**	115,924
Other receivables	**1,630**	2,686
Cash and bank balances	**9,549**	4,174
Total assets	**24,116,401**	27,090,642
SEGMENT LIABILITIES		
Central China	**12,259,633**	15,089,023
Northeast China	**3,862,091**	4,331,838
Total segment liabilities	**16,121,724**	19,420,861
Deferred tax liabilities	**66,527**	56,054
Tax liabilities	**273,362**	179,472
Other payables	**15,098**	16,194
Total liabilities	**16,476,711**	19,672,581

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.

Other segment information

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

For the year ended 31 December 2016

	Central China *RMB'000*	**Northeast China** *RMB'000*	**Total** *RMB'000*
Additions to property, plant & equipment	**156,077**	**46,205**	**202,282**
Additions to prepaid lease payments	**5,851**	**—**	**5,851**
Additions to mining rights	**348**	**11,733**	**12,081**
Finance costs	**852,888**	**74,921**	**927,809**
Provision for environmental restoration	**1,303**	**363**	**1,666**
Depreciation and amortisation	**570,227**	**282,238**	**852,465**
(Reverse of) allowance for bad and doubtful debts	**(6,985)**	**5,026**	**(1,959)**
(Gain) loss on disposal of property, plant and equipment	**(2,660)**	**4,293**	**1,633**
Value Added Tax refund	**(203,400)**	**(31,541)**	**(234,941)**
Incentive subsidies	**(8,438)**	**(14,642)**	**(23,080)**
Interest on bank deposits	**(94,742)**	**(24,364)**	**(119,106)**

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)

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 2016 and 2015.

6. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Value Added Tax refund *(Note i)*	**234,941**	239,472
Incentive subsidies *(Note ii)*	**23,080**	30,310
Interest on bank deposits	**119,106**	132,758
Rental income	**3,583**	377
Release of deferred income	**9,553**	8,171
Release of financial guarantee liability	**6,303**	2,490
Profits from sundry operations, net *(Note iii)*	**74,128**	68,926
Software service income	**52**	2,564
Others	**3,763**	6,439
	474,509	491,507

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.

7. OTHER GAINS AND LOSSES

	2016	2015
	RMB'000	*RMB'000*
Foreign exchange loss, net	**52,422**	46,030
Loss (gain) on disposal of property, plant and equipment	**1,633**	(3,081)
(Reverse of) allowance for bad and doubtful debts, net	**(1,959)**	1,519
	52,096	44,468

8. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings	**314,031**	286,775
Finance leases	**2,726**	10,253
Bills discounted with recourse	**111,173**	154,669
Short term debentures	**77,252**	251,987
Mid-term debentures	**279,693**	246,482
Long-term corporate bonds	**192,810**	176,347
	977,685	1,126,513
Less: amounts capitalised in the cost of qualifying assets	**(49,876)**	(95,831)
	927,809	1,030,682

The borrowing costs on general borrowing pool capitalised are calculated by applying capitalisation rate of 7.09% per annum for the year ended 31 December 2016 (2015: 6.44% per annum).

Interest on bills discounted with recourse includes interest on discounted bills issued among subsidiaries of the Group for intra-group transactions of RMB53,333,000 (2015: RMB82,934,000).

9. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("EIT")		
— current year	**135,819**	83,565
— (over) under-provision in prior year	**(4,668)**	4,826
	131,151	88,391
Deferred tax	**(29,086)**	(59,370)
	102,065	29,021

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%.

10. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

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

	2016	2015
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**811,769**	753,541
Release of prepaid lease payments	**22,302**	18,803
Amortisation of mining rights, included in cost of sales	**17,585**	14,501
Amortisation of other intangible assets, included in cost of sales	**809**	752
Total depreciation and amortisation	**852,465**	787,597
Less: amounts capitalised to inventories	**(711,300)**	(664,905)
amounts included in other expenses *(note)*	**(36,954)**	(44,047)
	104,211	78,645
Cost of inventories recognised as an expense	**4,491,801**	4,947,939
Staff costs including retirement benefit	**387,309**	376,022
Less: labour expenses included in operating cost	**(146,510)**	(153,270)
	240,799	222,752
Auditor's remuneration	**3,000**	3,000
Release of financial guarantee liability	**6,303**	2,490

Note:

Depreciation and amortisation amounting to RMB36,954,000 (2015: RMB44,047,000) 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.

11. EARNINGS PER SHARE

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

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company	**295,812**	313,079

	2016	2015
	'000	*'000*
Number of shares		
Number of shares for the purpose of basic earnings per share	**2,400,900**	2,400,900

No diluted earnings per share is presented for both 2016 and 2015 as there were no potential ordinary shares in issue for both 2016 and 2015.

12. DIVIDEND

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

	2016	2015
	RMB'000	*RMB'000*
Dividends recognised as distributions during the year	**—**	504,189

On 18 March 2015, the Company declared a dividend of RMB0.21 per share with total dividends of RMB504,189,000 to shareholders for the year ended 31 December 2014. The dividend was paid in June 2015.

Subsequent to the end of the reporting period, no dividend in respect of the year ended 31 December 2016 has been proposed by the board of directors.

13. DERIVATIVE FINANCIAL ASSETS

	2016	2015
	RMB'000	*RMB'000*
Derivative financial assets		
— Fair value	**761,065**	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.

As at 31 December 2016 and 2015, Tianrui Group has 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 of the four investee companies separately as the Group is able to exercise the option independently. Except for Yongan Cement and Xindeng Cement as disclosed below, the Group has not exercised the option to acquire the interests of the other companies as at 31 December 2016.

On 25 November 2016, 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 Yongan Cement and 55% equity interest in Xindeng Cement, at a total consideration of RMB919,000,000, which is less than the original acquisition consideration incurred by Tianrui Group. The acquisition has not been completed as at the date of issuance 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 during the year ended 31 December 2015 and 2016 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. And the changes in fair value amounting to RMB82,256,000 was recognised in profit or loss during the year ended 31 December 2016.

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.

14. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**188,830**	384,246
Less: allowances for bad and doubtful debts	**(25,948)**	(21,664)
	162,882	362,582
Bills receivables	**684,820**	612,267
Bills endorsed to suppliers *(Note)*	**1,382,498**	1,702,987
Advance to suppliers	**126,751**	148,212
Value Added Tax refund receivables	**29,853**	26,122
Prepayment for various taxes	**69,012**	66,798
Prepaid lease payments	**20,873**	19,116
Interest receivable	**79,624**	51,008
Other receivables	**211,789**	213,086
Less: allowances for bad and doubtful debts	**(25,819)**	(32,062)
Net amount of other receivables	**185,970**	181,024
	2,742,283	3,170,116

Bills receivables amounted to RMB667,458,000 as at 31 December 2016 (31 December 2015: RMB602,650,000) were discounted to banks to obtain borrowings of which RMB570,000,000 (31 December 2015: RMB590,000,000) relates to bills receivable issued among subsidiaries of the Group for intra-group transactions.

Note:

In addition to the above, the Group has also endorsed bills receivable arising from intra-group transaction to suppliers amounting to RMB1,767,000,000 (2015: RMB2,865,000,000) 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:

	2016	2015
	RMB'000	*RMB'000*
Within 90 days	**186,942**	303,614
91–180 days	**341,572**	535,937
181–360 days	**245,417**	5,551
Over 1 year	**73,771**	129,747
Total	**847,702**	974,849

15. PLEDGED BANK BALANCES

As at 31 December 2016, pledged bank balances represent deposits pledged to banks for (i) securing bank borrowings granted to the Group amounting to RMB571,450,000, and (ii) issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB2,535,752,000.

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, and (ii) issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB3,886,966,000.

The pledged bank balances carry market interest rate of 0.35% to 3.25% per annum as at 31 December 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 31 December 2016, bank balances carry interest at market rates of 0.01% and 4.25% per annum (31 December 2015: 0.01% and 4.25% per annum).

17. TRADE AND OTHER PAYABLES

	2016 ***RMB'000***	2015 *RMB'000*
Trade payables	**1,250,175**	1,127,011
Bills payables	**1,205,000**	1,734,000
Construction cost and retention payable	**377,073**	318,153
Advances from customers	**184,768**	219,380
Other tax payables	**59,848**	45,141
Other payables — current	**12,900**	4,500
Payables for mining rights	**8,300**	8,300
Interest payables	**252,440**	438,856
Other payables and accrued expenses	**233,775**	217,527
	3,584,279	4,112,868

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:

	2016 ***RMB'000***	2015 *RMB'000*
Within 90 days	**1,654,216**	1,739,412
91–180 days	**358,607**	484,200
181–365 days	**300,174**	570,565
Over 1 year	**142,178**	66,834
Total	**2,455,175**	2,861,011

18. SHORT TERM DEBENTURES

	2016 ***RMB'000***	2015 *RMB'000*
Short term debentures	**—**	3,792,019

The Group has no short term debenture as at 31 December 2016, as the short term debentures issued in prior year were paid up in the year 2016.

19. BORROWINGS

	2016	2015
	RMB'000	*RMB'000*
Bank borrowings		
— fixed-rate *(i)*	**3,828,796**	2,050,000
— variable-rate *(ii, iii)*	**1,182,337**	1,860,211
Other borrowings		
— fixed-rate *(i)*	**790,326**	—
	5,801,459	3,910,211
Bank borrowing relating to bills discounted with recourse *(iv)*	**648,258**	579,212
	6,449,717	4,489,423
Secured	**3,569,127**	3,179,423
Unsecured	**2,880,590**	1,310,000
	6,449,717	4,489,423

Note:

i As at 31 December 2016, the fixed-rate borrowings carry interests ranged from 4.35% to 14.40% per annum (31 December 2015 from 4.35% to 10.40% per annum).

ii As at 31 December 2016, the variable-rate borrowings carry interests ranged from 2.39% to 6.89% per annum (31 December 2015: from 2.86% to 6.89% per annum).

iii As at 31 December 2016, the interest rate of US Dollar variable-rate loans, amounting to RMB738,636,000 (31 December 2015: RMB704,211,000) is determined based on London Interbank Offered Rate ("LIBOR") plus from 2.39% to 4.02% per annum (2015: LIBOR plus from 2.60% to 3.35% 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 2016, the amounts represented the cash received on bills receivables discounted to various banks with full recourse of which RMB522,687,000 (31 December 2015: RMB566,838,000) relates to discounted bills issued among subsidiaries of the Group for intra-group transactions. The discounted bills carried fixed interests ranging from 1.78% to 7.73% per annum (31 December 2015: from 2.99% to 7.30% per annum).

The borrowings are repayable as follows (Note):

	2016	2015
	RMB'000	*RMB'000*
Within one year	**5,921,033**	4,334,423
More than one year, but not exceeding two years	**460,114**	125,000
More than two years, but not exceeding five years	**68,570**	30,000
	6,449,717	4,489,423
Less: Amount due within one year shown under current liabilities	**(5,921,033)**	(4,334,423)
Amount due after one year	**528,684**	155,000

Note:

The amounts due are based on scheduled repayment dates set out in the loan agreement.

During the year, the Group discounted bills receivable with recourse in aggregated amounts of RMB418,191,000 (2015: RMB479,383,000) to banks for short term financing. As at 31 December 2016, the associated borrowings amount to RMB95,571,000 (2015: RMB12,374,000). 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.

The Directors consider that the carrying amounts of borrowings and related interest amounting to RMB19,821,000 (31 December 2015: RMB9,984,000) as at 31 December 2016 recognised in the consolidated financial statements approximate to their fair value.

20. MID-TERM DEBENTURES

	Mid-term debentures *RMB'000*
At 1 January 2015	2,492,595
Additions	2,136,176
Repayments	(944,600)
At 31 December 2015	3,684,171
Additions	2,675,183
Repayments	(3,584,171)
At 31 December 2016	2,775,183

	2016 *RMB'000*	2015 *RMB'000*
Mid-term debentures	**2,775,183**	3,684,171
Less: Amount due within one year	**(2,275,183)**	(1,300,000)
Amount due after one year	**500,000**	2,384,171

The amounts as at 31 December 2016 represented the mid-term debentures which included:

(i) 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;

(ii) 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, and the Group has the right to unadjust or adjust the enterprise private debentures rate for the second year at the end of the first year by giving a notice to the debenture holders. The debenture holders may accordingly at their option to require the Group to redeem the debentures at a redemption price equal to 100% of the principal plus accrued and unpaid interest to such redemption date. The remaining enterprise private debentures will be subject to the interest rate offered by the Group at the end of the first year until the maturity date. During the year ended 31 December 2016, the debentures amounting to RMB400,000,000 were redeemed and the remaining debentures amounting to RMB100,000,000 will be matured on 27 August 2017;

(iii) 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, and the Group has the right to unadjust or adjust the debentures rate for the second year of each of the debentures at the end of the first year by giving a notice to the debenture holders respective. Each of the debenture holders may accordingly at their option to require the Group to redeem the debentures at a redemption price equal to 100% of the principal plus accrued and unpaid interest to such redemption date. The remaining debentures will be subject to the interest rate offered by the Group at the end of the first year until the maturity date.

During the year ended 31 December 2016, the debentures amounting to RMB550,000,000 and RMB230,000,000 were redeemed and the remaining debentures amounting to RMB220,000,000 will be matured on 22 October 2017;

(iv) the issuance of the enterprise private debentures of RMB500,000,000, RMB900,000,000 and RMB600,000,000 on 25 August 2016, 20 September 2016 and 21 October 2016 respectively with maturity of two years, all carrying fixed interest rate of 7.00% per annum. According to the terms and conditions of enterprise private debentures, the Group has the right to unadjust or adjust each of the enterprise private debentures rate for the second year of respective debenture at the end of the first year by giving a notice to the debenture holders respective. Each of the debenture holders may accordingly at their option to require the Group to redeem the debentures at a redemption price equal to 100% of the principal plus accrued and unpaid interest to such redemption date. The remaining enterprise private debentures will be subject to the interest rate offered by the Group at the end of the first year until the maturity date.

The Directors consider that the carrying amounts of the mid-term debentures and related interest amounting to RMB84,830,000 (31 December 2015: RMB139,860,000) as at 31 December 2016 recognised in the consolidated financial statements approximate to their fair value.

21. LONG-TERM CORPORATE BONDS

	2016	2015
	RMB'000	*RMB'000*
Long-term corporate bonds	**3,075,350**	3,057,635

The amounts as at 31 December 2016 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 eight years and a rate of 7.21% per annum. According to the terms and conditions of bonds, the Group has the right to unadjust or adjust the bonds rate for the sixth to eighth year at the end of the fifth year by giving a notice to the bond holders. The bond holders may accordingly at their option to require the Group to redeem the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest to such redemption date. The remaining bonds will be subject to the interest rate offered by the Group at the end of the fifth year until the maturity date. 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 Tianrui Foundry and Tianrui Travel, two subsidiaries of Tianrui Group. 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 five years and a rate of 5.95% per annum. According to the terms and conditions of bonds, the Group has the right to unadjust or adjust the bonds rate for the fourth year and fifth year at the end of the third year by giving a notice to the bond holders. The bond holders may accordingly at their option to require the Group to redeem the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest to such redemption date. The remaining bonds will be subject to the interest rate offered by the Group at the end of the third year until the maturity date. (iii) the issuance of long-term corporate bonds in an aggregate principal amount HK$86,500,000 (approximately RMB77,375,000) which including the issuance of first tranche corporate bonds of HK$45,540,000 on 2 December 2014, the second tranche corporate bonds of HK$33,460,000 on 15 July 2015 and the third tranche corporate bonds of HK$7,500,000 on 9 January 2016, 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 RMB147,789,000 (31 December 2015: RMB144,939,000) as at 31 December 2016 recognised in the consolidated financial statements approximate to their fair value.

22. 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	**Fair value adjustment arising from acquisition of subsidiaries**	**Tax losses**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(note)*	*RMB'000*
At 1 January 2015	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
Credit (charge) to profit or loss for the year	(14)	2,766	30,211	(3,877)	29,086
Acquisition of a subsidiary	—	(1,481)	—	—	(1,481)
At 31 December 2016	14,096	(57,900)	120,757	10,522	87,475

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

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

	2016	2015
	RMB'000	*RMB'000*
Deferred tax assets	**154,002**	115,924
Deferred tax liabilities	**(66,527)**	(56,054)
	87,475	59,870

23. CONTINGENT LIABILITIES

	2016	2015
	RMB'000	*RMB'000*
Guarantees given to banks in respect of banking facilities granted to:		
Related parties	**1,542,000**	1,472,000
Third party	**—**	50,000
	1,542,000	1,522,000

The management considers the risk of the contingent liabilities and recognised financial guarantee liabilities of RMB26,875,000 (2015: RMB10,637,000) in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Despite the pressure of slow growth in 2016, the Chinese economy had succeeded in maintaining a stable and promising growth. Under the background of a disconcerting macroeconomy, the cement industry, as one of the industries with overcapacity, also suffered from great pressure. However, by courtesy of measures such as environmental conservation, reduction of overcapacity, alternative production arrangements, the cement industry had recovered from its trough and maintained a slow growth rate. These measures fundamentally altered the situation of decreasing profits or even huge losses. Facing the impacts of macroeconomic fluctuation and the multi aspect changes in respect of environmental conservation, investment and real estate in regional markets, the Group had, in response to national policies and the appeal of the industry's association, actively worked with other enterprises in the cement industry to implement alternative production arrangement plans during peak time and to reduce disorderly price competition. In 2016, a slight decline in cement sales was recorded in the main operation areas of the Group.

— According to the data of Digital Cement (數字水泥), in 2016, the cement production volume in the mid-southern region was 690 million tons, which increased by approximately 1.6% year-over-year. According to the data of National Bureau of Statistics (國家統計局), in 2016, the cement production volume in Henan was 156 million tons with approximately 5.8% decrease year-over-year. On the other hand, in 2016, the Group sold about 22.1 million tons of cement in Henan, representing a decrease of about 12.6% compared with 2015.

— According to the data of Digital Cement (數字水泥), in 2016, the cement production volume in the northeastern region was 106 million tons, which decreased by approximately 1.2% year-over-year. According to the data of National Bureau of Statistics (國家統計局), in 2016, the cement production volume in Liaoning was 39.3 million tons with approximately 13.5% decrease year-over-year. On the other hand, in 2016, the Group sold about 7.4 million tons of cement in Liaoning, representing an increase of 24.3% compared with 2015.

In 2016, the cement industry experienced a trend of recovery. As a result of the alternative production arrangements during peak time in the industry, and efforts in reducing disorderly price competition, the initially low cement prices increased drastically. The influence of sales decline was compensated by the rising prices in the second half of the year. Meanwhile, a number of measures had been taken to reduce costs and expenses in order to improve the enterprise's performance. We had adjusted the debt structure, strictly controlled the purchase of raw materials, implemented a lean management system, and strived to further reduce energy consumption in production. Consequently we were able to effectively improve gross profit margin and net profit margin and increase core business profits.

— In 2016, our gross profit margin was approximately 25.2%, with an increase of approximately 5.1 percentage points compared with 20.1% last year. At the same time, the average sales price jumped from approximately RMB187.2 per ton in 2015 to approximately RMB194.5 per ton in 2016, an increase of approximately 3.9%.

— In 2016, we sold approximately 1.7 million tons of clinker, a decrease of 600 thousand tons compared with 2.3 million tons in 2015. In the meantime, the clinker we produced was mainly used to meet the internal needs of cement production.

BUSINESS ENVIRONMENT

In 2016, the Chinese government continued to deepen reform and innovation, strengthen macro adjustment, implement supply-side reform and carried out three strategies (namely "One Belt One Road" construction, coordination of the development of Beijing, Tianjin and Hebei, and the development of Yangtze River economic belt) to start a number of key projects. The "13th Five-Year" plan for the development of western regions had been prepared and a new series of strategies of North East Revitalization had been implemented. The rise of the central regions was promoted and the prior development of the eastern regions was supported, in order to accelerate a new urbanization process. According to the 2017 Government Work Report, China's GDP reached RMB74.4 trillion in 2016, representing an increase of 6.7%. Profits of industrial enterprises increased by 8.5% in contrast to a decline of 2.3% last year. Energy consumption per unit of GDP fell by 5%. The quality and efficiency of economic development had been significantly improved.

In 2016, changes of fixed assets investment impact the cement industry significantly. According to the data of National Bureau of Statistics, investments in fixed assets in 2016 recorded RMB60.6 trillion, a year-on-year increase of 7.9%, reaching a record lowest growth rate for the past ten years. Infrastructure investments grew 17.4% to RMB11.9 trillion, the growth rate is almost same as last year. Investments in national real estate development reached RMB10.3 trillion, representing an increase of 6.9% compared to that of 2015, with an increase of 5.9 percentage points. At the end of the year, commercial housing areas for sale were 695.39 million square meters, 23.14 million square meters less than last year. The real estate industry had reversed the downward trend, indicating that real estate destocking had achieved positive results. The stability of infrastructure investment and the improvement of investment in the real estate industry had provided a good opportunity for the cement industry to reverse the downward trend.

In 2016, there are certain opportunities for the cement industry, however the external environment we faced was relatively complicated. According to the data from the Bureau of Statistics of relevant provinces or regions, in 2016, the GDP of Henan, Liaoning, Anhui and Henan where we operated in, recorded an increase of 8.1%, a decrease of 2.5%, and increases of 8.7% and 9.0% year-on-year respectively. Meanwhile, investments in fixed assets (excluding farmers) recorded an increase of 13.7%, a decrease of 63.5%, and increases of 11.7% and 12.0% year-on-year respectively. These figures indicated that investments in fixed assets in Henan, Anhui, Tianjin had recorded a lower growth rate in 2016 compared to last year, while the ones in Liaoning slumped sharply, leading to slow regional economic growth.

CEMENT INDUSTRY

After experiencing a decline in 2015, the cement industry gradually stabilized in 2016 and embraced a limited recovery. The whole industry succeeded in achieving a low growth. According to the data of Digital Cement, in 2016, China's cement production amounted to approximately 2.4 billion tons, representing an increase of 2.5% compared to last year. The total profit of the whole industry was approximately RMB51.8 billion, representing a substantial increase of 55% over the previous year. The sales of cement remained stable and achieved slight growth. At the same time, the price of cement continued to rise. According to the monitoring of Digital Cement, the price of P.O42.5 bulk cement in the national market in 2016 fell to the lowest RMB244 per ton initially but rebounded to RMB337 per ton in December, a total increase of RMB93 per ton, up by 38%. The increase of cement price attributed to the government promotion of supply-side reform towards the cement industry, the active implementation of alternative arrangement of peak time production by government, the cement industry association and large-scale cement enterprises, as well as the reduction of disorderly price competition.

Under the background of the supply-side reform of China government, addressing overcapacity had become a priority in the cement industry. The State Council had issued on 18 May 2016 "Guidance on Promotion of Building Materials Industry to Maintain Steady Growth, to Adjust the Structure and to Increase the Efficiency" (Guo Ban Fa [2016] Doc. No. 34 (國辦發[2016] 34號文)), and once again clearly proposed that new capacity was prohibited. According to the data of Digital Cement, in 2016, the new serviced production capacity of clinker was 255.8 million tons, 46% less than last year. New capacity had been declining for four consecutive years. As of 2016, the total capacity of cement clinker design was approximately 1.83 billion tons, an increase of 1% over the previous year.

As the policies of China's cement industry mainly focused on optimizing the allocation of resources and maintaining sustainable development, the main task faced by the industry in the future was to strictly control new capacity, to eliminate backward production capacity and to save energy and reduce emission. The elimination of backward production capacity and tighten the approval of new capacity will improve the situation of supply and demand, so as to create a better business environment for the cement industry. Meanwhile, the Chinese government had strongly supported large-scale cement enterprises and encouraged the integration of the cement industry. Under the encouragement and promotion of the Chinese government, mergers and acquisitions led by major cement producers were expected to accelerate the consolidation of the cement industry.

FINANCIAL REVIEW

Revenue

Our revenue was approximately RMB6,008.6 million in 2016, representing a decrease of RMB186.5 million, or 3.0%, from approximately RMB6,195.1 million in 2015.

Our revenue from cement sales was approximately RMB5,736.5 million in 2016, representing a decrease of RMB108.1 million, or 1.8%, as compared with 2015. The Group took an active market strategy to face the changes of the demands and price in the cement market, which make our sales revenue decrease slightly even the sales volume decrease larger. The sales volume of our decreased by 1.7 million tons or 5.5%, from 31.2 million tons in 2015 to 29.5 million tons in 2016, which was primarily due to the demands reduction in Henan and Liaoning where the Group operates. Due to the recovery of market price, that offset the impact of sales volume decrease, our sales revenue keep stale in 2016.

Clinker is a semi-finished product used to produce cement. Our clinkers produced in 2016 were primarily used to satisfy our internal demand for cement production. Only 1.7 million tons of the Group's clinkers were sold externally. We recorded approximately RMB272.1 million of revenue generated from clinker sales in 2016, representing a decrease of RMB78.4 million, or 22.4%, from approximately RMB350.5 million in 2015.

Our revenue from sales of cement as a percentage of revenue was approximately 95.5% in 2016 and 94.3% in 2015, respectively. Our revenue from sales of clinker as a percentage of revenue was approximately 4.5% in 2016 and 5.7% in 2015, respectively.

Cost of Sales

In 2016, we continued our efforts in reducing unit production costs of cement and clinker by leveraging on our economies of scale and through centralized procurement. Our cost of sales was approximately RMB4,491.8 million in 2016, representing a decrease of RMB456.1 million, or 9.2% as compared with 2015. The decrease was primarily due to the lower bulk purchase price of raw materials for the production of cement and clinker.

Our cost of sales mainly consists of cost of raw materials, coal and electricity. In 2016, our costs of raw materials, coal and electricity as a percentage of cost of sales were 37.7%, 24.3% and 18.4%, respectively. During the period, our costs of raw materials, coal and electricity for production of cement per tonne were RMB54.2, RMB35.0 and RMB26.5, respectively, representing a decrease of RMB8.4, an increase of RMB1.4 and a decrease of RMB1.6, respectively, as compared with 2015.

Gross Profit and Gross Profit Margin

Our gross profit was approximately RMB1,516.8 million for the year ended 31 December 2016, representing an increase of RMB269.6 million, or 21.6%, from approximately RMB1,247.2 million last year. Our gross profit margin increased to approximately 25.2% in 2016 from 20.1% in 2015. The increase in gross profit margin was primarily due to the improvement in selling prices and decrease of unit production cost.

Other income

Other income was approximately RMB474.5 million for the year ended 31 December 2016, representing a decrease of RMB17.0 million, or 3.5%, from approximately RMB491.5 million for the year ended 31 December 2015. The decrease was primarily due to the decrease in interest on bank deposits and the decrease in incentive subsidies from certain local governments.

Gains on fair value changes of derivative financial assets

As reference to the circular dated 31 October 2014 (the "**Circular**"), the amended deed of non-competition ("**Amended Non-competition Deed**") undertaking was entered into by Tianrui Group Company Limited ("**Tianrui Group**"), controlled by Mr. Li Liufa, a non-executive director of the Company, in favour of the Company. Under the Amended Non-competition Deed, Tianrui Group granted the Group the option ("**Option**") to acquire the business which is or may be in competition, directly or indirectly, with the business of the Group (the "**New Business Opportunity**").

Under the Amended Non-competition Deed, we have the option to acquire the New Business (as defined in the Circular) or any interest in it in accordance with (a) commercial terms which (i) will not be less favourable 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.

Under the Amended Non-competition Deed, we are entitled to exercise the Option at any time during the Restricted Period as defined in the Circular.

The fair value of the Options at the end of December 2016 is about RMB761,065,000. The change in fair value during the year in the amount of about RMB82,256,000 are recognized in profit or loss in the consolidated financial statements.

Selling and Distribution Expenses

Our selling and distribution expenses were approximately RMB314.1 million for the year ended 31 December 2016, representing a decrease of RMB20.2 million, or 6%, from approximately RMB334.3 million for the year ended 31 December 2015. The decrease was primarily due to the decrease in packing expenses costs as a result of the decrease in our bagged cement sales volume.

Administrative Expenses

Administrative expenses were approximately RMB363.4 million for the year ended 31 December 2016, representing a decrease of RMB11.1 million, or 2.9%, from approximately RMB374.5 million for the year ended 31 December 2015. The decrease in administrative expenses was mainly due to the decrease in the tax and administrative charges paid to local governments.

Other Expenses

Other expenses were approximately RMB68.7 million for the year ended 31 December 2016, representing a decrease of approximately RMB23.3 million, or 25.3%, from approximately RMB92.0 million for the year ended 31 December 2015. The decrease in other expenses was mainly due to the decrease in expense incurred in temporary suspension period due to seasonal effect.

Finance Costs

Finance costs were approximately RMB927.8 million for the year ended 31 December 2016, representing a decrease of RMB102.9 million, or 10.0%, from RMB1,030.7 million for the year ended 31 December 2015. The decrease was primarily attributable to the decrease in interest expenses due to decreases in the Company's total debts as compared to those of 2015.

PROFIT BEFORE TAXATION

As a result of the foregoing, our profit before taxation was approximately RMB351.6 million for the year ended 31 December 2016, representing an increase of approximately RMB39.1 million, or approximately 12.5%, from approximately RMB312.5 million for the year ended 31 December 2015.

INCOME TAX EXPENSES

Our income tax expenses were approximately RMB102.1 million for the year ended 31 December 2016, representing an increase of RMB73.1 million, or about 251.7% from approximately RMB29.0 million for the year ended 31 December 2015, which was mainly due to the significant increase of taxable income other than the fair value change of financial derivatives in the profit before tax.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

As a result of the foregoing, our profit attributable to owners of the Company for the year ended 31 December 2016 was approximately RMB295.8 million, representing a decrease of RMB17.3 million, or about 5.5%, from approximately RMB313.1 million for the year ended 31 December 2015. The net profit margin decreased from 5.1% for the year ended 31 December 2015 to 4.9% for the year ended 31 December 2016.

FINANCIAL AND LIQUIDITY POSITION

Trade and other receivables

Trade and other receivables decreased from RMB3,170.1 million as at 31 December 2015 to RMB2,742.3 million as at 31 December 2016, mainly due to the decrease in balance of trade receivables and bills endorsed to suppliers.

Amounts due from an associate

The amounts due from an associate of approximately RMB323.8 million as at 31 December 2016 (2015: RMB508.1 million) represents the advance payment paid to Ruiping Shilong for the clinker purchase in 2016 under the Clinker Supply Framework Agreement. The advance payment arrangement has been agreed after arm's length negotiation to secure clinker supply in 2017 on competitive pricing terms. For further details of the Clinker Supply Framework Agreement, please refer to the announcement dated 30 December 2016.

Inventories

Inventories decreased from RMB832.2 million as at 31 December 2015 to RMB750.7 million as at 31 December 2016, primarily due to the decrease in the inventory cost and inventory amount during the year 2016.

Cash and cash equivalents

Cash and bank balance increased from RMB722.3 million as at 31 December 2015 by RMB3.9 million or 0.5% to RMB726.2 million as at 31 December 2016, which maintain at the same level as the year 2015.

Borrowings

As at 31 December 2016, the amount of total borrowings and debentures (including corporate bonds) of the Group decreased by approximately RMB2,722.9 million or 18.1% to approximately RMB12,300.3 million from RMB15,023.2 million last year. Borrowings due within one year and short-term debentures (including mid-term debentures due within one year) decreased from RMB9,426.4 million as at 31 December 2015 to RMB8,196.2 million as at 31 December 2016, borrowings due after one year, midterm debentures and long-term corporate bonds decreased from RMB5,596.8 million as at 31 December 2015 to RMB4,104.1 million as at 31 December 2016; the Group has been repaying the debts in accordance with the terms of the loan agreement, and we had unutilized bank facilities of approximately RMB1,546.4 million as at 31 December 2016.

Principal sources of liquidity

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

MAJOR ACQUISITIONS AND DISPOSALS

Acquisition of Henan Yongan Cement Company Limited (河南永安水泥有限責任公司 ("Yongan Cement")) and Tianrui Xindeng Cement Company Limited (天瑞新登水泥有限公司 ("Xindeng Cement"))

On 25 November 2016, the Company 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 represented 100% equity interest of Yongan Cement and 55% equity interest of Xindeng Cement, at the 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, credited as fully paid, at the Issue Price upon Acquisition Completion. The Consideration Shares was approved in the extraordinary general meeting held on 27 January 2017 and issued under the Specific Mandate. The above Acquisitions have not been completed as at the date of this announcement. For details of the Acquisition, please refer to the announcement dated 25 November 2016 of the Company.

GEARING RATIO

As at 31 December 2016, our Gearing ratio was 68.3%, representing a decrease of 4.3 percentage points from 72.6% as at 31 December 2015. The change of Gearing ratio was due to the decrease of the debt scale.

As at 31 December 2016, our Current ratio was 0.6, representing a decrease of 12.2% from 0.7 as at 31 December 2015. Our Quick ratio was 0.6, representing a decrease of 13.6% from 0.7 as at 31 December 2015. Changes of the above ratios were due to the decrease scale of current assets except inventory which is larger than the decrease of current liabilities.

As at 31 December 2016, our Debt Equity ratio was 2.2, representing a decrease of 0.5 or 18.7% from 2.7 as at 31 December 2015. The change of Debt Equity ratio was due to the decrease of debts during the current year.

Notes:

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

NET GEARING RATIO

As at 31 December 2016, our net gearing ratio was 109.5%, representing an increase of 2.8 percentage points from 106.7% as at 31 December 2015. Net gearing ratio is calculated by dividing net debts by equity attributable to owners of the Company.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure for the year ended 31 December 2016 was approximately RMB65.3 million (2015: approximately RMB320.4 million) and capital commitments for the year ended 31 December 2016 was approximately RMB488.8 million (2015: approximately RMB458.3 million). Both the capital expenditure and capital commitments were mainly related to the acquisition of the business, the construction of production facilities and the acquisition of buildings, plant and machinery, motor vehicles, office equipment, construction in progress and mining rights. Our Group funded capital expenditure through cash generated from operations and bank and other borrowings.

PLEDGE OF ASSETS

As at 31 December 2016, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB2,632.7 million (2015: approximately RMB2,028.2 million).

CONTINGENT LIABILITIES

As at 31 December 2016, other than contingent liabilities arising from the provision of guarantee to third parties and connected parties amounting to approximately RMB1,542.0 million (31 December 2015: RMB1,522.0 million), we did not have other contingent liabilities. The guarantees provided to the connected parties have been provided pursuant to Tianrui Cement Guarantees according to the 2015 Framework Agreement Provision of Mutual Guarantees, the details of which are set out in the circular dated 30 October 2015.

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2016, save as disclosed herein, the Group neither held any material investment nor planned to make any material investment and acquire any capital assets as of 31 December 2016.

MARKET RISKS

Interest rate risk

We are exposed to interest rate risk resulting from our long-term and short-term borrowings. We review our borrowings regularly to monitor our interest rate exposure, and will consider hedging significant interest rate exposure should the need arise. As our exposure to interest rate risk relates primarily to our interest-bearing bank loans, our policy is to keep our borrowings at variable rates of interest so as to minimize fair value interest rate risk, and to manage our interest rate exposure in all of our interest-bearing loans through the use of a mix of fixed and variable rates.

Liquidity risk

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

Exchange rate risk

Certain pledged bank balances and other receivables of the Group are denominated in Hong Kong Dollar (“HK$”) and borrowings are denominated in United States Dollar (“US$”), therefore exchange rate movement exposure is incurred. Currently, the Group does not have any foreign currency hedge strategy in relation to foreign currency exposure. However, the management will closely monitor exchange rate risk in HK$ and US$ and will consider to hedge material currency exposure if necessary.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, our Group had 8,066 employees (31 December 2015: 8,398). As at 31 December 2016, the employees' cost (including remuneration) was approximately RMB387.3 million (2015: approximately RMB376.0 million). The remuneration policies, bonus and training programs for employees of our Group were implemented continuously according to policies disclosed in the 2012 Annual Report of the Company and no change has been made for the year ended 31 December 2016.

PROSPECTS

Under enormous economic pressures in 2016, the Government maintained relatively high speed of economic growth through a series of regulating and control measures and has been reforming and adjusting the economic structure constantly at the same time. In the face of the global economic downturn, the increased instability of the international environment, and the fact that the domestic economic growth has not fundamentally changed in 2017, the Chinese Government has set the goals that the GDP was to increase by 6.5%, the energy consumption per unit of GDP was to decline by more than 3.4%, and the main pollutant emissions was to continue to decline, etc. Meanwhile, it had also put forward the target to adhere to the reform of the supply-side, to promote the upgrading of consumption and effective investment phase, regional urban and rural development coordination, to enhance the lasting pulling functions of domestic demands for economic growth, to deepen the cooperation between the government and social capital, thus setting the direction for economic growth in 2017. The Central Government of China has determined to complete the railway construction investment of RMB800 billion and the road and water transport investment of RMB1.8 trillion, before commencing 15 major water conservancy projects and more than 2,000 km of urban underground integrated corridor construction, to promote the construction of Sponge City, and to continue to strengthen the rail transport, civil aviation and other major project construction in 2017. These policies and goals will inevitably lead to increased investment in infrastructure projects, while the real estate industry's inventory and recovery will support the stable cement demands.

In the macro-control context of the supply-side reform and reduction of overcapacity, the cement industry will face the trends of prohibiting new capacity, eliminating backward production capacity, promoting joint restructuring, implementing alternative production arrangements, upgrading cement products, developing new materials and strengthening the greening and environmental-protection, etc. As one of the 12 major national cement companies recognized by the Chinese Government and one of the five cement companies designated by the Ministry of Industry and Information Technology, the Group has been encouraged to assume the responsibility of merging and consolidating the central cement market. To encourage the integration of the cement industry, the Chinese Government has provided support for designated companies, such as tax incentives and special projects or financing approvals. As the Government requires the enhancement of environmental protection and the improvement of the air quality, the State Council has put forward the 24-hour online monitoring of all the key industrial pollution sources. The Government has determined the compliance deadline of non-compliant enterprises and will close non-compliance enterprises after the due date uncompromisingly. In the face of the external policy of the cement industry, grasping opportunities to the fullest, we will continue to work on the integration and coordination of regional markets through internal structure adjustment and enhance our leading market positions in Henan and Liaoning by virtue of our own and policy advantages.

In addition, we will further expand the scope of the unified purchase of materials, strengthen fine management, and improve the production efficiency, so that we can further reduce the unit production costs and then maintain our leading positions in other markets. We believe that maintaining and increasing the cost advantages will be beneficial for the Group to enjoy more robust profitability in Henan and Liaoning cement markets compared with our main competitors. In order to expand our market coverage, we will also put forward the strategic acquisition at the appropriate time.

CORPORATE GOVERNANCE

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

For the period from 1 January 2016 to 31 December 2016, the Company has adopted the code provisions set out in the Corporate Governance Code set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code on corporate governance practice. Other than those stated below in this section, the Company has been in compliance with all code provisions set out in the Corporate Governance Code throughout the year ended 31 December 2016.

Given the resignation of the chief executive officer of the Company on 1 December 2015, the Company has not yet appointed a new chief executive officer up to now. The Company will actively seek a new chief executive officer. In the meantime, the Board of the Company established an Executive Committee, which was composed of 2 executive Directors and 3 top management members of the subsidiary of the Company. The Executive Committee is in charge of the daily operation of the major businesses of the Group, the Executive Committee members do not include the chairman of the Board, and this will ensure that the authority is not be vested in the same person.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry with the Directors, all of them have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2016.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Board of the Company has discussed with the management of the Company on and reviewed the consolidated financial statements of the Group for the year ended 31 December 2016. The financial information included in this announcement has been agreed with the Company's auditor, Deloitte Touche Tohmatsu.

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities except as disclosed herein.

On 25 November 2016, the Company 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 Yongan Cement and represent 55% equity interest of Xindeng Cement as at the Acquisition Completion, at the consideration of RMB919,000,000, to be settled by the allotment and issue of the 537,381,647 Consideration Shares by the Company to Yu Kuo, an indirect wholly-owned subsidiary of Tianrui Group, credited as fully paid, at the Issue Price of HK$1.92 upon Acquisition Completion. The Acquisition has not been completed as at the date of this announcement. For further details, please refer to the announcement of the Company on 25 November 2016.

ANNUAL GENERAL MEETING

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

FINAL DIVIDEND

The Board did not propose the declaration of final dividend for the year ended 31 December 2016.

PUBLICATION OF ANNUAL REPORT

The Company's annual report for the year ended 31 December 2016 will be published on the website of the Stock Exchange and the Company's website at http://www.trcement.com and will be dispatched to the Company's shareholders in due course.

APPRECIATION

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

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

Ruzhou City, Henan Province, PRC, 26 March 2017

As at the date of this announcement, 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