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 REPORT 2019

CONTENTS

Corporate Information

REGISTERED NAME OF THE COMPANY

China Tianrui Group Cement Company Limited

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

01252

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Li Liufa

EXECUTIVE DIRECTORS

Ms. Li Fengluan
Mr. Ding Jifeng
Mr. Xu Wuxue
Mr. Li Jiangming

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kong Xiangzhong
Mr. Wang Ping
Mr. Du Xiaotang

AUDIT COMMITTEE

Mr. Wang Ping (Chairman)
Mr. Kong Xiangzhong
Mr. Du Xiaotang

NOMINATION COMMITTEE

Mr. Kong Xiangzhong (Chairman)
Mr. Li Liufa
Mr. Wang Ping

REMUNERATION COMMITTEE

Mr. Du Xiaotang (Chairman)
Mr. Xu Wuxue
Mr. Kong Xiangzhong

PRINCIPAL BANKERS

Bank of China, Henan Branch
Industrial and Commercial Bank of China, Henan Branch
China Construction Bank, Henan Branch
Bank of Pingdingshan
Bohai Bank, Dalian Branch
JZ CTS Bank, Zhengzhou Branch

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 East Road
Ruzhou City
Henan Province
PRC

PLACE OF BUSINESS IN HONG KONG

Room 2005A, 20/F
Lippo Centre Tower 2
89 Queensway
Admiralty, Hong Kong

Corporate Information

COMPANY WEBSITE

http://www.trcement.com

JOINT COMPANY SECRETARIES

Mr. Li Jiangming
Ms. Ng Ching Mei

AUTHORIZED REPRESENTATIVES

Mr. Li Jiangming
Ms. Ng Ching Mei

CAYMAN ISLANDS SHARE REGISTRAR AND SHARE TRANSFER AGENT

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111
Cayman Islands

AUDITORS

Deloitte Touche Tohmatsu
35th Floor, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS

As to Hong Kong law

Sidley Austin
39/F, Two International Finance Centre
Central, Hong Kong

As to PRC law

DeHeng Law Offices
12th Floor, Tower B, Focus Place
No. 19 Financial Street
Xicheng District
Beijing 100033
PRC

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Company Profile

China Tianrui Group Cement Company Limited is one of the top 12 national cement producers, and is also the only non-state-owned enterprise designated by the Ministry of Industry and Information Technology of the PRC as one of the five leading cement companies that have received support from the PRC government for undertaking cement industry-specific mergers and acquisitions in the central China region. When undertaking cement industry-specific mergers and acquisitions and seeking project investments, our Group receives government support in the form of priority and preferential policies with respect to project approvals, grants of land use right and credit approvals. The Group has actively adapted to the changes to the policies of the state and the industry, and strives to achieve environmental protection and sustainable development through advanced technological equipment, reasonable regional layout, sufficient reserve of resources, standardized management and brand advantages. The Group can achieve rapid development and maintain and strengthen its leading market position in Henan and Liaoning provinces through active organic growth and acquisition activities.

Advanced technological equipment. As of 31 December 2019, all of our clinker production lines are New Dry Process clinker production lines (NSP technology) equipped with residual heat power generation equipment, which can effectively reduce electricity cost and pollution. The clinker production line in Xingyang, Zhengzhou with a daily production capacity of over 12,000 tonnes completed and put into operation in 2009, which represented the world's leading clinker production line, and operated smoothly with remarkable benefits since its commencement of production.

Reasonable regional layout. The Group mainly maintains its layout in Henan and Liaoning, as well as the involvement in Tianjin and Anhui. In Henan Province, the Group develops its layout along "Two Vertical and Three Horizontal" expressways and the metropolitan life circle around Zhengzhou. In Liaoning, the Group develops its layout along "Harbin-Daqing Expressway" and Bohai Bay Rim Economic Belt. This makes the major production facilities of the Group to be located by limestone resources and terminal market, as well as the convergence point of major traffic routes, which can be benefitted in the long run.

Sufficient reserve of resources. We have sufficient limestone reserves and composite materials in Henan, Anhui and Liaoning provinces. All of our clinker production facilities are located near our limestone quarries with sufficient resources to support our operations for at least 30 years.

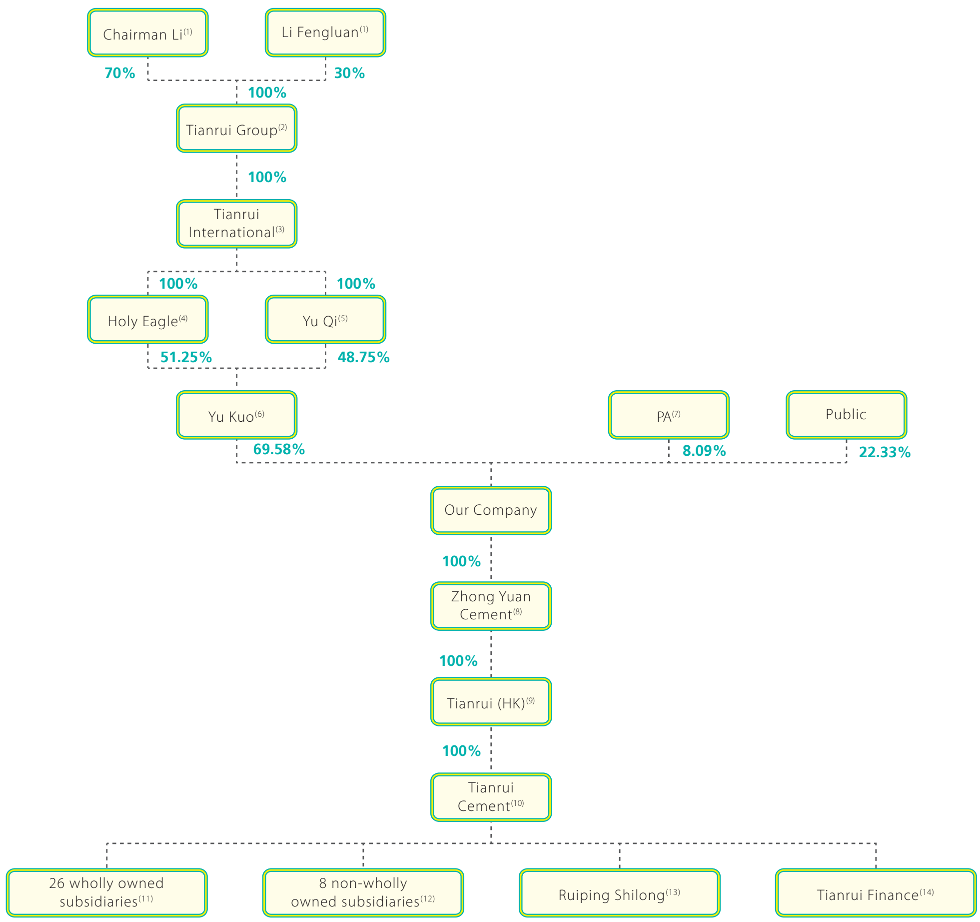
Standardized management and brand advantage. The Group has adopted a management model in line with international standards. The timely technical support provided by our professional technology team to the Group's management and control has laid down the foundation of our product quality and operation safety. Our Group is one of the few cement producers in China which have obtained the International Organization for Standardization (ISO) certifications for three management systems of quality control, environmental management and occupational health and safety and for product quality, at both the parent and operating subsidiary levels. Leveraging our management and high-quality products, we have successfully won tenders and become a qualified primary cement provider for a number of high-profile, large-scale infrastructure projects in China, including, among other things, the South-North Water Transfer (南水北調), Harbin-Dalian Express Railway (哈大高鐵), Shijiazhuang-Wuhan Express Railway (石武高鐵), Zhengzhou-Xuzhou Express Railway (鄭徐高鐵), Zhengzhou-Wanzhou Express Railway（鄭萬高鐵）and Beijing-Shenyang Passenger Dedicated Line (京瀋客專).

Committed to environment protection and sustainable development. The Group is committed to the research and development of advanced and environmentally-friendly technologies and recycling of waste materials. We have invested to construct residual heat recovery power generation equipment, to improve dust recovery equipment, and to construct mullock recycle system and urban waste materials recycle system. We are also one of the three Chinese cement companies that have been accepted by World Business Council for Sustainable Development as a member of the Cement Sustainability Initiative (CSI). The Group will as always improve its competitiveness and sustainability, and believes that it will achieve better results in future.

Company Profile

I. CORPORATE STRUCTURE

As of 31 December 2019, the corporate structure of our Group was as follows:



Notes:

(1) "Chairman Li" refers to Mr. Li Liufa (李留法), the founder, chairman and controlling shareholder of our Group. Ms. Li Fengluan is the spouse of Chairman Li and an executive Director of the Company.

(2) "Tianrui Group" refers to Tianrui Group Company Limited (天瑞集團股份有限公司), a company incorporated in the PRC with limited liability, which is 70% owned by Chairman Li and 30% owned by Ms. Li Fengluan.

(3) "Tianrui International" refers to 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.

(4) "Holy Eagle" refers to 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.

(5) "Yu Qi" refers to 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.

(6) "Yu Kuo" refers to Yu Kuo Company Limited (煜闊有限公司), a company incorporated in the BVI with limited liability, which is 51.25% owned by Holy Eagle and 48.75% owned by Yu Qi.

(7) "PA" refers to PA Investments Funds SPC-PA Greater China Industrial Opportunities Fund Segregated Portfolio.

(8) "Zhong Yuan Cement" refers to 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 our Company.

(9) "Tianrui (HK)" refers to 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 our Company.

(10) "Tianrui Cement" refers to Tianrui Cement Group Company Limited (天瑞水泥集團有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of our Company.

(11) The 26 wholly-owned PRC subsidiaries of our Group are Tianrui Group Zhoukou Cement Company Limited (天瑞集團周口水泥有限公司, "Zhoukou Cement"), Shangqiu Tianrui Cement Company Limited (商丘天瑞水泥有限公司, "Shangqiu Cement"), Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司, "Zhengzhou Cement (Xingyang)"), Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司, "Dalian Cement"), Yingkou Tianrui Cement Company Limited (營口天瑞水泥有限公司, "Yingkou Cement"), Tianrui Group Nanzhao Cement Company Limited (天瑞集團南召水泥有限公司), Liaoyang Tianrui Cement Company Limited (遼陽天瑞水泥有限公司, "Liaoyang Cement"), Tianrui Group Yuzhou Cement Company Limited (天瑞集團禹州水泥有限公司, "Yuzhou Cement")), Tianrui Group Xuchang Cement Company Limited (天瑞集團許昌水泥有限公司), Zhengzhou Tianrui Cement Company Limited (鄭州天瑞水泥有限公司, "Zhengzhou Tianrui"), Tianrui Group Xiaoxian Cement Company Limited (天瑞集團蕭縣水泥有限公司), Tianrui Group Ningling Cement Company Limited (天瑞集團寧陵水泥有限公司), Lushan Antai Cement Company Limited (魯山安泰水泥有限公司, "Lushan Antai"), Yuzhou Zhongjin Mining Company Limited (禹州中錦礦業有限公司), Liaoyang Tianrui Liaota Cement Company Limited (遼陽天瑞遼塔水泥有限公司, "Liaota Cement"), Liaoyang Tianrui Dengta Mining Company Limited (遼陽天瑞遼塔礦業有限公司, "Liaota Mining"), Liaoning Liaodong Cement Company Limited (遼寧遼東水泥集團有限公司, "Liaodong Cement"), Liaoyang Tianrui Weiqi Cement Company Limited (遼陽天瑞威企水泥有限公司, "Weiqi Cement"), Dalian Tianrui Jinhaian Cement Company Limited (大連天瑞金海岸水泥有限公司, "Dalian Jinhaian"), Haicheng the First Cement Company Limited (海城市第一水泥有限公司, "Haicheng Cement"), Haicheng Tianying Construction Stone Mining Company Limited (海城市天鷹建築石材採掘有限公司, "Tianying Mining"), Zhuanghe Tianrui Cement Company Limited (莊河天瑞水泥有限公司, "Zhuanghe Cement"), Panjin Jinrun Cement Company Limited (盤錦金潤水泥有限公司) ("Panjin Cement"), Xinyang Tianrui Cement Company Limited (信陽天瑞水泥有限公司, "Xinyang Cement"), Henan Yongan Cement Company Limited (河南永安水泥有限責任公司, "Yongan Cement") and Zhong Yuan Tianrui Power Company Limited (中原天瑞電力有限公司, "Tianrui Power").

(12) The 8 non-wholly owned PRC subsidiaries of our Group are Tianjin Tianrui Cement Company Limited (天津天瑞水泥有限公司, "Tianjin Cement"), the other two shareholders are Wang Aimin (汪愛敏) and Li Ji'ang (李激昂) while each of them holds 20% of the equity interest in Tianjin Cement; Pingdingshan Tianrui Yaodian Cement Company Limited (平頂山天瑞姚電水泥有限公司, "Yaodian Cement"), the other shareholder is Pingdingshan Yaomeng Power Group Company Limited (平頂山姚孟電力集團有限公司) which holds 9% equity interest in Yaodian Cement; Liaoyang Tianrui Chengxing Cement Company Limited (遼陽天瑞誠興水泥有限公司, "Chengxing Cement"), the other shareholder of Chengxing Cement is Yang, Qinggeng (楊慶庚), who holds 30% equity interest; Shenyang Tiger Cement Company Limited (瀋陽老虎水泥有限公司, "Tiger Cement"), the other shareholder is Shenyang Taifeng Special Concrete Company Limited (瀋陽泰豐特種混凝土有限公司) which holds 40% equity interest; Tianrui Xindeng Zhengzhou Cement Company Limited (天瑞新登鄭州水泥有限公司, "Xindeng Cement"), the other shareholder is Zhengzhou Xindeng Enterprise Group Company Limited (鄭州新登企業集團有限公司) which holds 45% equity interest; Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司, "Ruzhou Cement"), the other shareholder is CCB Financial Asset Investment Co., Ltd (建信金融資產投資有限公司), which holds 28.61% equity interest; Weihui Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司, "Weihui Cement"), the other shareholder is CCB Financial Asset Investment Co., Ltd., which holds 28.33% equity interest; Tianrui Group Guangshan Cement Company Limited (天瑞集團光山水泥有限公司, "Guangshan Cement") and the other shareholder is CCB Financial Asset Investment Co., Ltd, which holds 40.21% equity interest.

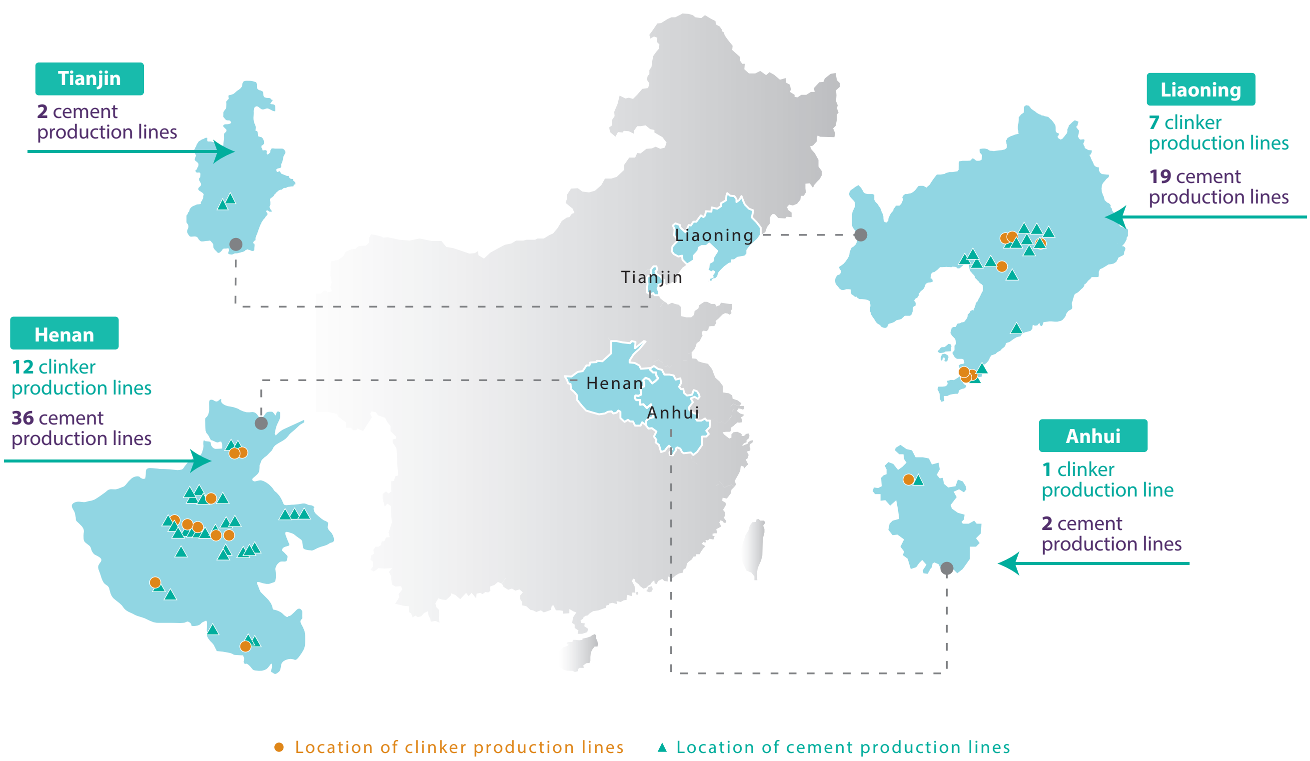
(13) "Ruiping Shilong" refers to Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司), a company established in the PRC with limited liability, its 40% equity interest is held by Tianrui Cement and the other shareholder, Pingdingshan Ruiping Coal & Electricity Company Limited (平頂山市瑞平煤電有限公司 ("Ruiping Power")), is holding its 60% equity interest. Ruiping Power is held by Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司) ("Tianrui Foundry") (indirectly and jointly wholly-owned by Chairman Li and Ms. Li Fengluan (Chairman Li's spouse)) as to 40% and by an Independent Third Party as to 60%.

(14) "Tianrui Finance" refers to Tianrui Group Finance Company Limited (天瑞集團財務有限公司), a company established in the PRC with limited liability, its 25.5% equity interest is held by the Company and 74.5% equity interest is held by the other shareholders, being Tianrui Group and its subsidiaries.

II. DISTRIBUTION AND PRODUCTION CAPACITY OF PRODUCTION FACILITIES

The Group's operating production facilities are mainly located in Henan province, Liaoning province, Tianjin city and certain parts of Anhui province. Our production facilities in Henan province are strategically located along the "Two Vertical and Three Horizontal" expressways and the "Two Vertical and Two Horizontal" railways, and our production facilities in Liaoning province and Tianjin city are strategically located along the Harbin-Dalian Express Railway and the Bohai Economic Rim. Our production facilities are strategically located at the intersection area of limestone resources, end market and the junctions of transportation lines, providing us with unique long-term strategic advantages.

As of 31 December 2019, the Group had 20 clinker production lines and 59 cement grinder production lines with a total annual production capacity of about 28.4 (2018: 28.4) million tonnes of clinker and 56.7 (2018: 56.7) million tonnes of cement, respectively. Of such total annual production capacity, Henan region (including Anhui) had a cement production capacity of 37.6 million tonnes and a clinker production capacity of 20.0 million tonnes, and Liaoning region (including Tianjin) had a cement production capacity of 19.1 million tonnes and a clinker production capacity of 8.4 million tonnes. In addition, we directly own 40% equity interest in an associated company which operates two New Dry Process clinker production lines with an annual production capacity of 3.1 million tonnes in Pingdingshan. Based on our attributable interest in such associated companies, the Group has a total of attributable production capacity of about 29.6 million tonnes of clinker and 56.7 million tonnes of cement as of 31 December 2019. The Group prepares internal reports mainly based on two broad geographical locations named Central China and Northeastern China. Central China includes Henan province and certain parts of Anhui province. Northeastern China includes Liaoning province and Tianjin City.



Financial Highlights

	For the year ended 31 December		
	2019	2018	Percentage of Change
	RMB'000	RMB'000	(%)
Revenue	**12,087,532**	10,060,647	20.1%
Gross profit	**4,507,370**	3,273,488	37.7%
EBITDA	**4,867,561**	3,844,697	26.6%
Profit	**1,934,505**	1,251,810	54.5%
Of which: Profit attributable to owners of the Company	**1,819,423**	1,212,547	50.0%
Basic earnings per share (RMB)	**0.62**	0.41	50.0%

	As at 31 December		
	2019	2018	Percentage of Change
	RMB'000	RMB'000	(%)
Total assets	**32,324,304**	28,553,706	13.2%
Of which: Current assets	**14,728,324**	12,300,677	19.7%
Total liabilities	**19,348,713**	17,474,586	10.7%
Of which: Current liabilities	**12,358,194**	12,571,661	−1.7%
Total equity	**12,975,591**	11,079,120	17.1%
Of which: Equity attributable to owners of the Company	**12,839,563**	11,017,674	16.5%

Management Discussion and Analysis

BUSINESS REVIEW

In 2019, the PRC government maintained its principle of seeking progress while maintaining stability, establishing supply-side structural reform as its philosophy to promote quality development, putting efforts on achieving stability in terms of employment, finance, foreign trade, foreign investment, investment and expectations and implementing a series of growth stabilizing measures to achieve stable economy. Stable growth of infrastructure investment, along with resilient growth in investment and new construction area of real estate, led to stable growth in demand for cement with good momentum over the year. The cement industry continued to implement elimination of backward production capacity, energy conservation and emission reduction, alternative production arrangements and other supply-side structural reform measures, improving the supply and demand relationship.

In 2019, the Group actively responded to the national macro trend and policy orientation, kept pace with the industry, implemented peak shifting production, promoted industry self-discipline, and made use of the government and the industry to treat the peak shifting production areas differently, allowing some ultra-low emission enterprises of the Group to conduct production during the "peak shifting" period to regulate the market supply and actively increase the supply in the time of market shortage. In respect of the optimization of corporate management, the Group further optimized its production process, raw material proportion, consumption reduction, standardization and upgrading, product cost management internally, further consolidated regional markets and expanded new markets externally, steadily increased the selling prices of products, and accomplished the trend of increase in both sales volume and price of products, resulting in a significant increase in the profit and gross profit margin of the Group's core business.

In 2019, the Group sold approximately 31.5 million tons of cement, an increase of approximately 2.1 million tons or 7.0% compared with approximately 29.4 million tons in 2018, of which, the sales volume of cement in Henan and the northeastern region was approximately 23.7 million tons and approximately 7.8 million tons, respectively, representing an increase of 1.4 million tons and increase of 0.7 million tons, respectively. In respect of the different types of cement, the Group further optimized its product mix and recorded a significant increase in the sales volume of cement above 42.5 to approximately 26.9 million tons, an increase of 3.0 million tons compared with approximately 23.9 million tons in 2018. Its share in total annual sales volume of cement in 2019 was 85.6%, representing an increase of 4.5% over the year. On the other hand, the sales volume of 32.5 cement was approximately 4.5 million tons, a decrease of 1.0 million tons compared with approximately 5.5 million tons in 2018. Its share in total annual sales volume of cement in 2019 was 14.4%, representing a decrease of 4.5% over the year. The share of 32.5 cement in the Group's total sales volume continued the downward trend in 2018.

In 2019, the Group sold approximately 2.5 million tons of clinker, a decrease of 0.3 million tons or 12.4% compared with approximately 2.8 million tons in 2018, of which, the sales volume of clinker in Henan and the northeastern region was approximately 0.3 million tons and approximately 2.2 million tons, respectively, representing a yearly decrease of 1.0 million tons for Henan and an increase of 0.7 million tons for the northeastern region.

In 2019, the Group sold approximately 4.4 million tons in aggregate, an increase of 1.2 million tons or 39.4% compared with approximately 3.2 million tons in 2018.

In 2019, the average selling price of cement of the Group increased to approximately RMB354.5 per ton from approximately RMB309.3 per ton in 2018, representing an increase of RMB45.2 per ton or approximately 14.6%, of which, the average selling price of cement in Henan and the northeastern region was approximately RMB378.6 per ton and approximately RMB281.6 per ton, respectively.

In 2019, the average selling price of clinker of the Group was approximately RMB275.1 per ton, a decrease of RMB14.1 per ton or 4.9% compared with approximately RMB289.2 per ton in 2018, of which, the average selling price of clinker in Henan and the northeastern region was approximately RMB305.7 per ton and RMB271.2 per ton, respectively.

In 2019, the average selling price of aggregate of the Group was approximately RMB56.8 per ton, an increase of RMB10.4 per ton or 22.3% compared with approximately RMB46.4 per ton in 2018.

In 2019, due to the increase in both the sales volume and the selling prices of products, the revenue of the Group was approximately RMB12,087.5 million, an increase of RMB2,026.9 million or 20.1% compared with approximately RMB10,060.6 million in 2018.

In 2019, the residual heat power generation of the Group was 796.9 million kW.h, an increase of approximately 113.0 million kW.h compared with the same period last year. The average comprehensive power consumption of clinker was 56.5kW.h/t, a decrease of 0.4kW.h/t compared with approximately 56.9kW.h/t in the same period last year.

In 2019, gross profit margin of the Group was approximately 37.3%, an increase of 4.8 percentage points compared with 2018. Profit before tax of the Group was approximately RMB2,667.7 million, an increase of RMB925.1 million or 53.1% compared with approximately RMB1,742.6 million in 2018. Excluding the impact of the approximately RMB18.5 million (2018: approximately RMB6.1 million) gains on fair value changes of derivative financial assets, the profit before tax was approximately RMB2,649.2 million, which increased by approximately RMB912.7 million or 52.6% as compared to approximately RMB1,736.5 million in 2018.

BUSINESS ENVIRONMENT

According to the National Bureau of Statistics, in 2019, the national fixed asset investment (excluding rural households) amounted to RMB55.15 trillion, representing a yearly increase of 5.4%, which was 0.5 percentage points lower than that of the corresponding period of last year. The national infrastructure investment (excluding electricity) increased by 3.8% year-on-year, which was the same as last year. The investment in real estate development in China amounted to RMB13.22 trillion, representing a yearly increase of 9.9%, which was 0.4 percentage points higher than that of the corresponding period of last year. The construction area of properties of real estate developers was 8,938 million square meters, representing a yearly increase of 8.7%. The area of new housing construction increased by 8.5% yearly.

According to the Henan Provincial Bureau of Statistics, based on preliminary calculations, the GDP of the province in 2019 was RMB5,425,920 million, representing an increase of 7.0% over the previous year in terms of comparable prices, 0.9 percentage points higher than the national average. During the year, fixed asset investment in the province (excluding rural households) increased by 8.0%, 2.6 percentage points higher than the national average, of which infrastructure investment increased by 16.1%. The investment in real estate development in the province increased by 6.4% during the year. The area of commercial housing sold was 142.7755 million square meters, representing an increase of 2.1%. The sales of commercial housing amounted to RMB900,998 million, representing an increase of 11.9%. The growth in fixed asset investment in the province, in particular the growth in infrastructure investment and real estate development investment, has led to an overall stable demand for cement in the region.

According to the Statistics Bureau of Liaoning Province, the GDP of the province in 2019 was RMB2,490.95 billion, representing a yearly increase of 5.5% in terms of comparable prices. Fixed asset investment increased by 0.5% over the previous year. In 2019, the investment in real estate development in the province increased by 9% over the previous year, of which the investment in residential properties increased by 12.5%. The production and sales volume of cement in the region maintained an overall growth.

CEMENT INDUSTRY

In 2019, the cement industry continued to implement a series of policies such as the government's supply-side reform and environmental protection, and implemented measures such as energy conservation and emission reduction, off-peak production and comprehensive rectification of mines. A number of backward production capacities was shut down and phased out. The industry concentration further increased, the self-discipline effect of the industry was significantly improved, and the supply and demand of the cement market was significantly improved. According to *Digital Cement*, a website of China Cement Association, the cement industry is expected to record a total profit of approximately RMB180 billion for the year, which is a record-breaking result.

Cement demand strongest in five years. According to the *Digital Cement*, the website of China Cement Association, the national cement output in 2019 was 2.33 billion tons, representing a yearly increase of 6.1% and the fastest pace of growth over the last five years. Cement clinker production even hit a record high with a total volume of 1.52 billion tons. By region, cement production in North China amounted to 194.86 million tons, representing a yearly increase of 6.32%. Cement production in Northeast China amounted to 83.86 million tons, representing a yearly increase of 13.12%. Cement production in East China amounted to 772.91 million tons, representing a yearly increase of 9.42%. Cement production in Central and Southern China amounted to 639.34 million tons, representing a yearly increase of 2.69%. Cement production in Southwest China amounted to 458.62 million tons, representing a yearly increase of 3.98%. Cement production in Northwest China amounted to 180.96 million tons, representing a yearly increase of 7.44%. Cement production in Northeast China recorded the fastest yearly growth in volume, with an increase of 13.12%, mainly due to the continuous expansion in the price gap between the North and South China and the large volume of cement sold from Northeast China to South China, which led to an increase in the capacity utilization of the cement companies in Northeast China.

Cement prices reached record high. According to the statistics of *Digital Cement*, the website of China Cement Association, the national price index of PO42.5 cement in 2019 was RMB439 per ton, representing an increase of RMB12 per ton as compared with RMB427 per ton in 2018, representing a yearly increase of 2.67%, reaching a record high. In terms of regions, Eastern China, Central and Southern China performed well with average prices of RMB479 per ton and RMB468 per ton respectively, representing an increase of 1.45% and 3.27% respectively as compared with the corresponding period of last year. From the perspective of the 31 provincial capitals and cities monitored by *Digital Cement*, the market price (including tax and freight) of PO42.5 cement was all over RMB300 per ton, out of which, the annual average price of 7 of them was over RMB500 per ton, including Lhasa, Chengdu, Guangzhou, Hangzhou, Jinan, Zhengzhou and Wuhan. In terms of the yearly increase in the average price throughout the year, Urumqi, Tianjin, Chengdu, Beijing and Zhengzhou recorded the largest increase, each representing a yearly increase of over RMB50 per ton.

Environmental protection and peak shifting production in place. Following the previous environmental protection policies, in 2019, the government continued to fight the battle against pollution, adhered to the same direction and maintained the same efforts to prevent pollution, highlighted the precise treatment of pollution, scientific treatment of pollution and legal treatment of pollution. In autumn and winter, the diffusion conditions of air pollutants were poor. Local governments, represented by Henan, Shandong and Beijing-Tianjin-Hebei, have enhanced air pollution control with their strongest effort in order to improve air quality in autumn and winter, and adopted stricter control measures for industrial enterprises, including the cement industry. In 2019, the cement industry actively responded to the national environmental protection policies, and the whole industry actively implemented a series of measures such as "alternative production, energy conservation and emission reduction, and comprehensive mine rectification", which not only helped to make positive contributions to environmental protection, energy conservation and emission reduction, but also suppressed the utilization of excess capacity in the industry. As a result, the supply of products has been effectively adjusted to a certain extent, and the supply and demand of the whole industry has been significantly improved.

Curbing new and eliminating backward on capacity control. In 2019, the cement industry continued to implement the policy of equivalent capacity replacement or reduction and new addition of capacity was strictly prohibited. In order to further promote the supply-side structural reform of the building materials industry, effectively promote the industry to high-quality development, accelerate the elimination and exit of backward production capacity, and effectively resolve the problem of overcapacity, according to the principles in "Guiding Opinions of the General Office of the State Council on Promoting the Steady Growth, Structural Adjustment and Efficiency Enhancement of the Building Materials Industry" (Guo Ban Fa [2016] No. 34) (《國務院辦公廳關於促進建材工業穩增長調結構增效益的指導意見》(國辦發[2016]34號)) and other related documents, in 2019, China Building Materials Federation and 15 professional associations jointly formulated the "Guiding Catalogue of Elimination of Obsolete Production Capacities in the Building Materials Industry" (《建材行業淘汰落後產能指導目錄》), among which, 10 elimination targets were listed in the cement industry, and further elimination of backward capacities has become a trend.

FINANCIAL REVIEW

Revenue

The revenue of the Group was approximately RMB12,087.5 million in 2019, representing an increase of RMB2,026.9 million, or an increase of 20.1%, from approximately RMB10,060.6 million in 2018.

The revenue from cement sales was approximately RMB11,159.0 million in 2019, representing an increase of RMB2,059.0 million, or 22.6%, as compared with 2018. Our sales volume of cement increased by 2.1 million tons or 7.0%, from approximately 29.4 million tons in 2018 to approximately 31.5 million tons in 2019. The Group took an active market strategy and continuously raised its selling prices and sales volume to face the changes in the demand and prices in the cement market, resulting in the significant increase in the sales revenue in 2019.

Clinker is a semi-finished product used to produce cement. Our clinkers produced in 2019 were primarily used to satisfy the internal demand for cement production. Only approximately 2.5 million tons of the Group's clinkers were sold externally. Approximately RMB677.4 million of revenue generated from our clinker sales was recorded in 2019, representing a decrease of RMB135.9 million, or 16.7%, from approximately RMB813.3 million in 2018. The decrease in revenue was mainly due to the decrease in the prices of clinkers and sales volume.

In 2019, the Group's sales revenue from the central China region amounted to approximately RMB9,299.3 million, representing an increase of RMB1,614.7 million or 21.0% compared to approximately RMB7,684.6 million in 2018. The Group's sales revenue from the northeastern region of China amounted to approximately RMB2,788.2 million, representing an increase of RMB412.2 million or 17.3% compared to approximately RMB2,376.0 million in 2018.

In 2019 and 2018, revenue from our sales of cement accounted for approximately 92.3% and 90.4% of the total revenue, respectively. In 2019 and 2018, revenue from our sales of clinker accounted for approximately 5.6% and 8.1% of the total revenue, respectively. In 2019 and 2018, revenue from our sales of aggregate accounted for approximately 2.1% and 1.5% of the total revenue, respectively.

Cost of Sales

In 2019, the Company continued its 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 RMB7,580.2 million in 2019, representing an increase of RMB793.0 million, or 11.7% as compared with 2018. The increase was primarily due to increase in cement production and the higher bulk purchase prices of certain raw materials for the production of cement and clinker.

Cost of sales mainly consists of cost of raw materials, coal and electricity. In 2019, our costs of raw materials, coal and electricity as a percentage of cost of sales were approximately 37.8%, 33.3% and 13.0%, respectively. During the period, our costs of raw materials, coal and electricity for production of cement per ton were approximately RMB74.6, RMB65.9 and RMB25.7, respectively, representing an increase of RMB10.2, a decrease of RMB2.2 and an increase of RMB0.6, respectively, as compared with 2018.

Gross Profit, Gross Profit Margin and Segment Profit (Loss)

Our gross profit was approximately RMB4,507.4 million for the year ended 31 December 2019, representing an increase of RMB1,233.9 million, or 37.7%, from approximately RMB3,273.5 million last year. Our gross profit margin increased to approximately 37.3% in 2019 from approximately 32.5% in 2018. The increase in gross profit margin was primarily due to the larger increase in selling prices of cement than the increase in unit cost of sales.

In 2019, the Group's segment profit from the central China region amounted to approximately RMB2,521.6 million, representing an increase of RMB788.7 million or 45.5% compared to approximately RMB1,732.9 million in 2018. The increase was due to the significant increase in the gross profit of the segment of that particular region. The Group's segment profit from the Northeastern region amounted to approximately RMB292.1 million, representing an increase of a profit of RMB131.5 million or 81.9% compared to a segment profit of approximately RMB160.6 million in 2018.

Other income

Other income was approximately RMB580.5 million for the year ended 31 December 2019, representing an increase of RMB31.4 million, or an increase of 5.7%, from approximately RMB549.1 million for the year ended 31 December 2018. The increase was primarily due to the increase in value added tax subsidies for the integrated use of resources.

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 (the "Amended Non-competition Deed") undertaking was entered into by Tianrui Group Company Limited (the "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 (the "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, the Company has 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, the Group is entitled to exercise the Option at any time during the Restricted Period as defined in the Circular.

The fair value of the Option at the end of December 2019 was about RMB49,427,000 and the Company has not exercised the Option. The revenue of the change in fair value during the year in the amount of about RMB41,839,000 was recognized in profit or loss in the consolidated financial statements.

Selling and Distribution Expenses

For the year ended 31 December 2019, selling and distribution expenses were approximately RMB379.8 million, representing an increase of RMB38.4 million as compared to approximately RMB341.4 million for the year ended 31 December 2018, which was mainly due to the increase in transportation and port handling fees resulting from the increase of sales volume of cement in the current year.

Administrative Expenses

Administrative expenses were approximately RMB504.3 million for the year ended 31 December 2019, representing an increase of RMB69.5 million, or an increase of 16.0%, from approximately RMB434.8 million for the year ended 31 December 2018. The increase in administrative expenses was mainly due to the significant increase in research and development expenses as a result of the increased investment in research and development during 2019.

Other Expenses

Other expenses were approximately RMB83.8 million for the year ended 31 December 2019, representing a decrease of approximately RMB22.1 million, or a decrease of 20.8%, from approximately RMB105.9 million for the year ended 31 December 2018. The decrease in other expenses was mainly due to the decrease in expenses incurred in temporary suspension period due to seasonal effect.

Finance Costs

Finance costs were approximately RMB1,158.0 million for the year ended 31 December 2019, representing an increase of RMB36.0 million, or an increase of 3.2%, from approximately RMB1,122.0 million for the year ended 31 December 2018. The increase was primarily attributable to the increase in the financing scale of the Company.

PROFIT BEFORE TAX

As a result of the foregoing, our profit before tax was approximately RMB2,667.7 million for the year ended 31 December 2019, representing an increase of approximately RMB925.1 million, or approximately 53.1%, from approximately RMB1,742.6 million for the year ended 31 December 2018.

Excluding the impact of the approximately RMB18.5 million (2018: approximately RMB6.1 million) gains on fair value changes of derivative financial assets, the profit before tax is approximately RMB2,649.2 million, which increased by approximately RMB912.7 million or 52.6% as compared to approximately RMB1,736.5 million for the year ended 31 December 2018.

INCOME TAX EXPENSES

Income tax expenses were approximately RMB733.2 million for the year ended 31 December 2019, representing an increase of RMB242.4 million, or about 49.4% from approximately RMB490.8 million for the year ended 31 December 2018, which was mainly due to the significant increase of operating income other than the gain from changes in fair value 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, profit attributable to owners of the Company for the year ended 31 December 2019 was approximately RMB1,819.4 million, representing an increase of RMB606.9 million, or about 50.0%, from approximately RMB1,212.5 million for the year ended 31 December 2018. The net profit margin increased from 12.1% for the year ended 31 December 2018 to 15.1% for the year ended 31 December 2019.

FINANCIAL AND LIQUIDITY POSITION

Trade and other receivables

Trade and other receivables increased from approximately RMB4,423.9 million as at 31 December 2018 to approximately RMB7,305.6 million as at 31 December 2019, mainly due to the increase in bills receivables and prepayments to suppliers due to the increase in sales and procurement.

Amounts due from associates

The amounts due from associates of approximately RMB1,037.3 million as at 31 December 2019 (2018: approximately RMB944.9 million) represents the advance payment paid to Ruiping Shilong for the clinker purchased in next few years under the Clinker Supply Framework Agreement.

Inventories

Inventories increased from approximately RMB874.9 million for the year ended 31 December 2018 to approximately RMB1,061.3 million for the year ended 31 December 2019, primarily due to the increase in the inventory amount during the year 2019.

Restricted balances and other liabilities

On 29 December 2018, the Group and CCB Financial Asset Investment Co., Ltd ("CCB") entered into a capital injection agreement, share repurchase agreement and its supplementary agreement (collectively the "Agreements") pursuant to which CCB conditionally agreed to inject capital into five wholly-owned subsidiaries of the Company with an aggregate investment amount of RMB2,000,000,000. According to the Agreements, the Group is required to repurchase the shares of these subsidiaries held by CCB at the investment amount plus a premium as stipulated in the Agreements. In addition, Tianrui Group has also entered into a profit guarantee agreement with CCB to guarantee a minimum yearly return rate of the investment made by CCB.

For the year ended 31 December 2018, the conditions to complete the capital injection into these subsidiaries have not been fulfilled. Pursuant to the Agreements, certain amounts of the capital fund injected by CCB are designated to use to settle certain existing borrowings of these subsidiaries.

For the year ended 31 December 2018, the amount of RMB2,000,000,000 received from CCB was placed in a bank account of the Group which is restricted as to use before the completion of the capital injection.

For the year ended 31 December 2019, the balance was nil since the amount of RMB2,000,000,000 received from CCB and placed in a bank account of the Group was utilized or returned to CCB after the completion of capital injection into the five target companies.

Cash and cash equivalents

Cash and bank balance increased from approximately RMB711.8 million as at 31 December 2018 by RMB1,117.0 million or 156.9% to approximately RMB1,828.8 million as at 31 December 2019, primarily due to the Group's deposit of RMB941.8 million with Tianrui Finance was listed in the cash and bank balance as at the end of the current year, while the Group's deposit of RMB644.9 million with Tianrui Finance was listed in the balance of amounts due from associates as at the end of the previous year.

Borrowings

For the year ended 31 December 2019, the amount of total borrowings and debentures (including corporate bonds) of the Group increased by approximately RMB1,920.6 million or 18.5% to approximately RMB12,315.1 million from approximately RMB10,394.5 million last year. Borrowings due within one year and short-term debentures increased from approximately RMB5,853.7 million for the year ended 31 December 2018 to RMB6,702.4 million for the year ended 31 December 2019; borrowings due after one year, loan from an associate due after one year, guaranteed notes, long-term corporate bonds and other financial liabilities increased from approximately RMB4,540.8 million for the year ended 31 December 2018 to approximately RMB5,612.7 million for the year ended 31 December 2019; the Group has been repaying the debts in accordance with the terms of the loan agreement, and the Group had unutilized bank credit facilities of approximately RMB576.1 million for the year ended 31 December 2019.

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. The Company anticipates these sources will continue to be the principal financing in the future and expects the cash flow will be sufficient to fund the ongoing business requirements. Meanwhile, the Company will further broaden the financing channels to improve its capital structure.

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2019, the Group was not involved in any material investments, acquisitions nor disposals.

GEARING RATIO

For the year ended 31 December 2019, the gearing ratio was approximately 59.9%, representing a decrease of 1.3 percentage points from approximately 61.2% for the year ended 31 December 2018. The change of gearing ratio was due to the increase in equity of the owners.

For the year ended 31 December 2019, the current gearing ratio was approximately 1.2, representing an increase of 21.8% from approximately 1.0 for the year ended 31 December 2018. The quick ratio was approximately 1.1, representing an increase of 21.7% from approximately 0.9 for the year ended 31 December 2018. Changes of the above ratios were due to the increase in current assets except inventory and the decrease in current liabilities.

For the year ended 31 December 2019, the debt equity ratio was approximately 1.5, representing a decrease of 5.5% from approximately 1.6 for the year ended 31 December 2018.

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

For the year ended 31 December 2019, the net gearing ratio was approximately 52.0%, representing a decrease of 5.9 percentage points from approximately 57.9% for the year ended 31 December 2018. 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 2019 was approximately RMB1,257.8 million (2018: approximately RMB303.8 million) and capital commitments for the year ended 31 December 2019 was approximately RMB346.0 million (2018: approximately RMB399.3 million). Both the capital expenditure and capital commitments were mainly related to the construction of production facilities for cement and aggregate businesses and the acquisition of machinery, office equipment, investment in construction in progress and mining rights. The Group funded capital expenditure through cash generated from operations and bank and other borrowings.

PLEDGE OF ASSETS

As at 31 December 2019, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB4,079.3 million (2018: approximately RMB3,879.8 million).

CONTINGENT LIABILITIES

As at 31 December 2019, other than contingent liabilities arising from the provision of guarantee to related parties amounting to approximately RMB1,581.6 million (2018: approximately RMB1,275.8 million), the Group did not have other contingent liabilities. The guarantees provided to the related parties have been provided pursuant to Tianrui Cement Guarantees according to the 2019 Framework Agreement in Relation to Provision of Mutual Guarantees, the details of which are set out in the circular dated 4 December 2019.

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2019, the Group did not hold any material investment, make any material investment nor acquire any capital assets during the reporting period.

MARKET RISKS

Interest rate risk

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

Liquidity risk

The Group has established an appropriate liquidity risk management system for its 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 the management to finance the operations and mitigate the effects of fluctuations in (both actual and forecasted) cash flows. Our management also monitor the utilization of bank borrowings and ensures compliance with loan covenants.

Exchange rate risk

Certain bank balances and borrowings of the Group are denominated in Hong Kong Dollar ("HK$") or United States Dollar ("US$"), 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 2019, the Group had 7,491 employees (2018: 7,465). In 2019, the employees' cost (including remuneration) was approximately RMB500.3 million (2018: approximately RMB457.8 million). The remuneration policies, bonus and training programs for employees of the 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 2019.

According to the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the Board established the Remuneration Committee to formulate the remuneration policies of the Directors and senior management, ensuring the Company to have proper and transparent procedures. The remuneration of the Group's employee, including the Directors, is generally determined with reference to the prevailing market conditions, their individual qualifications and their duties and responsibilities with the Company. Annual remuneration system and annual target responsibility system are the main forms of evaluation, incentive and regulation for the senior management and the management of the branch companies and subsidiaries. The Company signs a letter of annual target responsibility in the beginning of the year with the senior management and the management of the branch companies and subsidiaries, which covers the key indicators like production and sales volume, cost, profit, control and management targets, and the annual requirements of duty performance. In the end of the year, the Company conducts performance appraisal, evaluating the annual operating result and the working and management abilities of the senior management and the management of the branch companies and subsidiaries. Such appraisal links with the annual remuneration. The remuneration is determined according to the individual performance of the employees, and is subject to regular review. This is to implement a monthly performance and job based remuneration scheme that links to the overall operating efficiency of the Company and based on the duties and responsibilities of the employee.

The Company values its employee as its most valuable assets. We place great importance on effective communication with all levels of staff, as we believe that enhancing the employee's sense of belonging is the core value of successful operation. According to the relevant PRC laws and regulations, we provide all staff with remuneration packages that include salary, allowances and social benefits like pension insurance, work injuries insurance, medical insurance and unemployment insurance, subject to regular review by our management. The Company has also invested in providing induction and professional skill trainings for all levels of management and other employees, so as to constantly improve their skills and knowledge. For the year ended 31 December 2019, we have organized 92,601 training hours of different training programmes (each session lasts 45–50 minutes) with a total attendance of 6,875 participants.

PROSPECTS

2020 is the final year of the "13th Five-Year Plan" and the key period for building a moderately prosperous society in all respects. It is expected that the macroeconomy will continue to maintain within a reasonable range. In respect of the establishment of the infrastructure construction, the State issued the special debt quota of local governments in advance, reduced the minimum capital ratio of some infrastructure projects, accelerated the construction of projects for reinforcing underperformed segments, and promoted the commencement of construction of major projects, and the growth of infrastructure investment is expected to pick up. In terms of real estate, the central government has clarified not to use real estate as a means to stimulate the economy in the short term, the real estate regulation will be mainly for "stability", and the real estate investment will remain strong and resilient. In general, infrastructure construction and real estate investment will continue to provide strong support and drive the demand for cement.

The sudden outbreak of the novel coronavirus (COVID-19) (the "Outbreak") at the beginning of 2020 has increased the uncertainty of the overall economic development, and the operation rate in construction sites in the first quarter has decreased year-on-year. At present, the impact of the epidemic on the overall economy is still uncertain. However, in order to reduce the impact of epidemic on the economy, the government has started to steadily promote the resumption of production in various industries. From the central government to local governments, a series of policies to stimulate the economy, including the "new infrastructure", have been and are in the process of being introduced, which includes policies to increase investment in infrastructure construction and stabilize real estate market. The successive introduction of these policies and the demand generated from the subsequent expedited work period and supplementary work period upon completion of projects are expected to make up for the impact on the early stage of the cement industry, which may subsequently stimulate greater demand for construction materials such as cement and aggregate.

2020 is the final year of the Three-Year Action Plan for Winning the Battle for a Blue Sky (《打贏藍天保衛戰三年行動計劃》). Air pollution control will not be relaxed. Local control measures will be more stringent. In addition, the tightened control over overloading of road transport will help control the supply side of cement. As a result, cement price is expected to experience stable fluctuations at a high level.

In 2020, the Group will continue to leverage on its regional advantages and advanced operational management and control capabilities, and leverage on the promotion of "intelligent factories", ultra-low emission, "green mines", construction of coordinated solid waste and hazardous waste treatment projects, and continue to develop its aggregate business, so as to further increase the Group's operating revenue and gross profit margin and maintain the Group's competitive advantages in the region.

Profiles of Directors and Senior Management

DIRECTORS

As at 31 December 2019, our Board consisted of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. The Board is responsible for and has general powers over the management and conduct of our business. The table below shows certain information in respect of the members of our Board:

Name	Age	Main Position
Li Liufa	62	Non-executive Director and Chairman of the Board of Directors
Li Fengluan	57	Executive Director
Ding Jifeng	50	Executive Director
Xu Wuxue	44	Executive Director and Chief Financial Officer
Li Jiangming	42	Executive Director and Joint Company Secretary
Kong Xiangzhong	65	Independent non-executive Director
Wang Ping	49	Independent non-executive Director
Du Xiaotang	46	Independent non-executive Director

Chairman and Non-executive Director

Mr. Li Liufa (李留法), male, aged 62, is a non-executive Director of the Company, the chairman of the Board and a member of the Nomination Committee. He is the founder of the Group. Mr. Li was appointed as a non-executive Director on 2 July 2011 and was appointed as a member of the Nomination Committee on 15 June 2018. Chairman Li is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Chairman Li has extensive experience in the cement industry. He was a non-executive Director of Sanmenxia Tianyuan Aluminum Company Limited (a company previously listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 8253) from March 2006 to July 2008. Chairman Li was the representative of Henan province in the Tenth National People's Congress in March 2003, the Eleventh National People's Congress in March 2008, the Twelfth National People's Congress in March 2013 and the Thirteenth National People's Congress in March 2018. Chairman Li was the executive director, executive director-chairman of the board of directors of China Shanshui Cement Group Limited (stock code: 691) ("Shanshui Cement"), a company listed on the Stock Exchange, from 1 December 2015 to 23 May 2018. Chairman Li obtained his executive MBA degree from Peking University (北京大學) in 2006. Chairman Li was named "Model Worker of Henan Province (河南省勞動模範)" in 1999. In January 2005, he was awarded "Henan Province Excellent Entrepreneur (河南省優秀民營企業家)" by the People's Government of Henan Province. Chairman Li is the spouse of Ms. Li Fengluan, an executive Director of the Company.

Profiles of Directors and Senior Management

Executive Directors

Ms. Li Fengluan (李鳳孌), female, aged 57, is an executive Director of the Company. Ms. Li was appointed as an executive Director of the Company on 18 January 2018. Prior to that, she had been the general manager and director of Zhengzhou Tianrui Cement Company Limited (鄭州天瑞水泥有限公司), the chairman of Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司) and the chairman of Tianrui Cement Group Company Limited (天瑞水泥集團有限公司). Ms. Li has over 30 years of extensive experience in finance and accounting, auditing and operation management and holds the qualification of "Accountant". Ms. Li is currently a director and deputy general manager of Tianrui Group Company Limited (天瑞集團股份有限公司) and the chairman and legal representative of Tianrui Cement Group Company Limited. Ms. Li obtained a Bachelor Degree from Henan University (河南大學) in 1984 and an EMBA from Peking University (北京大學) in 2008. Ms. Li is the spouse of Mr. Li Liufa, Chairman of the Board and non-executive Director of the Company, and the elder sister of Mr. Li Jiangming, an executive Director of the Company.

Mr. Ding Jifeng (丁基峰), male, aged 50, is an executive Director of the Company and the general manager of our Group (the Company and its subsidiaries are collectively referred to as our "Group"). Mr. Ding Jifeng was appointed as an executive Director of the Company on 15 May 2017. He joined our Group in December 2007 and has worked as deputy general manager of Tianrui Group Zhoukou Cement Company Limited (天瑞集團周口水泥有限公司), deputy general manager of Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司), general manager of Zhengzhou Tianrui Cement Company Limited (鄭州天瑞水泥有限公司), chairman and the general manager of Weihui Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司) ever since. He has extensive experience in the cement industry and is primarily responsible for the daily operation and management of Tianrui Cement Group Company Limited. Before joining our Group, he had served in Jiaxian Tian Guang Group Company Limited (郟縣天廣集團有限公司) as deputy general manager and Pingdingshan Xingfeng Group Company Limited (平頂山星峰集團有限責任公司) as deputy general manager since 1991. He was previously the director and general manager of Shandong Shanshui, a subsidiary of Shanshui Cement. Mr. Ding graduated from Zhengzhou University in 1993, majoring in economic studies. In 2019, he was awarded the title of "Outstanding Entrepreneur of Henan Building Materials Industry for the 70th Anniversary of the Establishment of New China" (新中國成立70周年河南建材工業功勛企業家).

Mr. Xu Wuxue (徐武學), male, aged 44, is an executive Director of the Company, the Chief Financial Officer and a member of the remuneration committee. Mr. Xu was appointed as an executive Director and Chief Financial Officer of the Company on 11 May 2013. He has 18 years of experience in finance and accounting. Mr. Xu joined the Group in 2006 and served as the Deputy Financial Controller and head of the finance department of Tianrui Cement Group Company Limited, and was appointed as the Chief Financial Officer of Tianrui Cement on 9 January 2013. Before that, Mr. Xu served as a clerk of the finance department of Ruzhou Tongyong Casting Co., Ltd. (汝州市通用鑄造公司) and the deputy general manager and head of the finance department of Xingfeng Group Co., Ltd. (星峰集團有限責任公司) and the director of Tianrui Group Finance Company Limited since 14 July 2015. Mr. Xu graduated from Luoyang Industrial College (洛陽工業高等專科學校), majoring in finance, in 1996.

Mr. Li Jiangming (李江銘), male, aged 42, is an executive Director, a joint company secretary and authorized representative of the Company and a vice general manager of capital operation of the Group and a chief representative for Hong Kong business. He is mainly responsible for capital market investment and financing business and investor relations. Mr. Li was appointed as the joint company secretary of the Company on 1 March 2013 and was appointed as the executive Director of the Company on 11 June 2014. Mr. Li has extensive experience in capital operation and had participated in the whole process of Initial Public Offering of China Tianrui Group Cement Company Limited on the Stock Exchange. After joining our Group, Mr. Li served as the sales manager of Tianrui Group Zhengzhou Cement Company Limited, the deputy head of the capital operation department of Tianrui Cement, the general manager of Zhengzhou Tianrui Cement Company Limited and the assistant to the general manager of the Company and director of Hong Kong Office of the Company. Before joining the Group, Mr. Li had been a marketing assistant of Henan Xinfei Electric Appliance Co., Ltd. (河南新飛電器有限公司) and a Requirement Engineer of China E-port Data Center (中國電子口岸數據中心). Mr. Li obtained his master's degree from Wuhan University of Technology (武漢理工大學), majoring in international economics and trade, and obtained the securities practice qualification from the Securities Association of China. Mr. Li Jiangming is the younger brother of Ms. Li Fengluan, an executive Director of the Company.

Independent non-executive Directors

Mr. Kong Xiangzhong (孔祥忠), male, aged 65, is an independent non-executive Director of the Company, the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee. Mr. Kong was appointed as an independent non-executive Director on 24 December 2012.

Mr. Kong currently serves as the executive chairman of China Cement Association. He is a professor grade senior engineer and an expert entitled to government special allowance from the State Council. Mr. Kong was appointed as an independent non-executive Director of Jilin Guanghua Holding Group Co., Ltd. (stock code: 000546), a company listed on Shenzhen Stock Exchange, in 2012. Mr. Kong graduated from Inorganic Materials Department of Shandong Building Materials Industry Institute (山東建築材料工業學院) majoring in engineering in 1982. He has long engaged in cement technology research and development, engineering design and technical management, and held various positions including the director and chief engineer of the cement grinding department of Hefei Cement Research and Design Institute of the State Bureau of Building Materials. Mr. Kong has also participated in and led many breakthrough and scientific study projects at national, provincial and ministry levels. He has served as the chief person in charge of design and engineering of some projects and a responsible person for a project financed by the World Bank. He was awarded the Second Prize and the Third Prize of the National Science and Technology Progress Award. Mr. Kong has been the secretary general, executive vice president and executive president of China Cement Association since 2005. He has participated in the drafting and revision of a number of national policies, plans and standards concerning the development of the cement industry. He has successively served as a project review expert of the NDRC and the Ministry of Environmental Protection, an expert of the first session of the expert academic committee of China International Engineering Consulting Corporation and an award-winning expert of the Science and Technology Progress Award of the Ministry of Science and Technology.

Profiles of Directors and Senior Management

Mr. Wang Ping (王平), male, aged 49, is an independent non-executive Director of the Company, the chairman of the Audit Committee and a member of the Nomination Committee. Mr. Wang was appointed as the independent non-executive Director on 24 December 2012. Mr. Wang has over 20 years of experience in corporate finance, audit, accounting and taxation.

Mr. Wang Ping currently holds the following positions in other companies:

An independent non-executive director of Chongyi Zhangyuan Tungsten Co., Ltd. which is listed on the Shenzhen Stock Exchange since November 2010 and subsequently the non-executive director since May 2017; an independent non-executive director of China Hangking Holdings Limited (stock code: 3788), a company listed on the Stock Exchange, since February 2011; an independent non-executive director of Jia Yao Holdings Limited (formerly known as Tourism International Holdings Limited) (stock code: 1626), a company listed on the Stock Exchange since June 2014; an independent non-executive director of China Sinostar Group Company Limited (formerly known as Shihua Development Company Limited) (stock code: 485), a company listed on the Stock Exchange, since July 2014; an independent non-executive director of Sichuan CRUN Co., Ltd. a company listed on the Shenzhen Stock Exchange from March 2016 to March 2019; an independent non-executive director of Shenzhen Zowee Tech. Co., Ltd., a company listed on the Shenzhen Stock Exchange between July 2016 and January 2020; a non-executive director of Bojun Education Company Limited (stock code: 1758), a company listed on the Stock Exchange between September 2016 and September 2019; and an independent non-executive director of Yunnan Energy New Material Co., Ltd. (formerly known as "Yunnan Chuangxin New Material Co., Ltd."), a company listed on the Shenzhen Stock Exchange between April 2017 and April 2020.

Mr. Wang Ping previously held the following positions in other companies:

A senior accountant and subsequently a manager for audit department of Deloitte Touche Tohmatsu CPA Ltd. from September 1999 to August 2002; a senior vice president of Guang Da (China) Automotive Components Holdings Limited, a subsidiary of China First Capital Group Limited (formerly known as China Vehicle Components Technology Holdings Limited), a company listed on the Stock Exchange (stock code: 1269), and the chief financial officer and an executive director of China First Capital Group Limited, from December 2012 to December 2015; an independent non-executive director of Shenzhen Fuanna Bedding and Furnishing Co. Ltd., a company listed on the Shenzhen Stock Exchange, from December 2013 to September 2017; a chief financial officer of China Jishan Holdings Limited, the shares of which are listed on the main board of Singapore Stock Exchange, from February 2004 to March 2007; and vice president and subsequently director of EV Capital Pte Ltd., a financial advisory and consulting firm focusing on initial public offerings, capital raising and private equity investments, from May 2007 to March 2010.

Mr. Wang graduated from Nanjing University and obtained a Master's Degree in Business Administration from Lingnan (University) College of Sun Yat-Sen University in 2004. He is a member of the Chinese Institute of Certified Public Accountants.

Mr. Du Xiaotang (杜曉堂), male, aged 46, is an independent non-executive Director of the Company, the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Du was appointed as an independent non-executive Director on 11 June 2014.

Mr. Du has been an executive director of Kinergy Corporation Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 3302.HK), since October 2016 and is also the supervisor and deputy chief executive officer of its subsidiaries, Kinergy EMS and Kinergy Mechatronics. Mr. Du is currently a department managing director of China Everbright Limited (stock code: 165) since 2016. Mr. Du is also a director of Everbright (Qingdao) Investment Co., Ltd., a subsidiary of China Everbright. Mr. Du is an independent non-executive director of Sichuan Xinjinlu Group Co., Ltd. (stock code: 000510), which is listed on the Shenzhen Stock Exchange since April 2017. In July 2019, Mr. Du was appointed as an independent non-executive director of China First Capital Group Ltd (stock code: 1269), a company listed on the Stock Exchange. Mr. Du was a teacher at Henan University (河南大學) between 1996 and 2002, and was an associate and then a partner with Grandall Law Firm (國浩律師事務所) (a PRC law firm) between 2003 and 2013. Mr. Du's working experience mainly covers corporate finance, capital market, private equity, merger and acquisitions and legal compliance advisory to listed companies, securities firms and mining companies. Mr. Du obtained his bachelor degree in education and master degree in law from Henan University (河南大學) in 1996 and 2002 respectively, and doctorate degree in economics from Fudan University (復旦大學) in the PRC in 2005. Mr. Du is a qualified PRC lawyer.

Senior Management

Mr. Yang Yongzheng (楊勇正), male, aged 51, is the vice chairman of Tianrui Cement Group Company Limited. Since May 2013, Mr. Yang served as an executive director, a non-executive director and a member of the nomination committee of the Board of the Group. He has extensive experience in the cement industry. Mr. Yang joined our Group in 2004 and served as the deputy general manager of Shangqiu Tianrui Cement Company Limited (商丘天瑞水泥有限公司), Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司), the general manager of Yingkou Tianrui Cement Company Limited (營口天瑞水泥有限公司), the chairman and general manager of Liaoyang Tianrui Cement Company Limited (遼陽天瑞水泥有限公司) and the general manager of Tianrui Cement Group Company Limited since then. Mr. Yang was appointed as the director and general manager of Shandong Shanshui Cement Group Company Limited, a wholly-owned subsidiary of Shanshui Cement, in December 2015. Mr. Yang obtained his bachelor degree in Petroleum and Engineering from Henan University in 1991 and obtained his EMBA from Peking University in 2012. Mr. Yang obtained the title of senior economist in December 2013. Mr. Yang was awarded the title of "Advanced Worker of the Mining Building Material Industry of Small and Medium Enterprises in Liaoning Province" in June 2012 and the title of "Model Worker of the National Building Material Industry" in 2013.

Mr. Ding Jifeng (丁基峰), male, aged 50, is a general manager of our Group. Details of Mr. Ding's profile are set out in the section headed "Directors" above.

Mr. Jing Xianyu (井獻玉) (formerly known as Jing Xianyu (井現於)), male, aged 55, is a deputy general manager of Tianrui Cement Group Company Limited. He has extensive experience in the cement industry and is primarily responsible for production and quality related management. Mr. Jing joined our Group in 2000 and has worked as general manager of Weihui Tianrui Group Cement Company Limited (衛輝市天瑞水泥有限公司) and Tianrui Group Yuzhou Cement Company Limited (天瑞集團禹州水泥有限公司), chairman of Zhengzhou Tianrui Cement Company Limited (鄭州天瑞水泥有限公司) and Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司) ever since. He has been the deputy general manager and executive deputy general manager of the Group since February 2008. Mr. Jing obtained his executive MBA degree from Peking University (北京大學) in 2008. Mr. Jing obtained the title of senior economist in 2008 and the title of senior engineer in 2019. Mr. Jing was awarded the title of "National Model Worker in Building Materials Industry" in 2013 and named as "Outstanding Expert in Henan Province" in 2017.

Mr. Xu Wuxue (徐武學), male, aged 44, is the Chief Financial Officer of our Company and the Financial Controller of our Group. Details of Mr. Xu's profile are set out in the section headed "Directors" above.

Mr. Gao Yunhong (高運紅), male, aged 48, is a deputy general manager of Tianrui Cement Group Company Limited. He has extensive experience in the cement industry and is primarily responsible for the sales of Tianrui Cement Group Company Limited. Mr. Gao joined the Group in 2005 and served as the deputy general manager of Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司) and Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司), and general manager of Tianrui Group Guangshan Cement Company Limited (天瑞集團光山水泥有限公司) and Weihui Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司) successively. He graduated from the PLA Information Engineering University, majoring in computer science and technology, in 2008. In 2008, Mr. Gao was awarded as "Model Worker of Zhengzhou City" and "60th Anniversary of the Founding of PRC Henan Province Excellent Entrepreneur in Building Material Industry (建國60周年河南省建材工業優秀企業家)" in 2009. In 2019, he was awarded the title of "Outstanding Contributor of Henan Building Materials Industry for the 70th Anniversary of the Establishment of New China" (新中國成立70週年河南建材工業突出貢獻獎).

Mr. Li Jiangming (李江銘), male, aged 42, is a vice general manager of capital operation of the Group and a chief representative for Hong Kong business. Details of Mr. Li's profile are set out in the section headed "Directors" above.

Mr. Lv Xing (呂行), male, aged 41, is the deputy financial controller of our Company and a chief accountant of Tianrui Cement Group Company Limited. Mr. Lv joined the Company in 2012 and has been the Group's deputy chief accountant and chief accountant. Mr. Lv was appointed as the deputy financial controller of our Company on 1 October 2013, and is primarily responsible for the review and analyzing of financial reports, finance and mergers and acquisitions business. Mr. Lv has extensive experience in financing. He served as an assistant auditor, senior auditor and an audit manager in Deloitte Touche Tohmatsu since 2001 prior to joining the Company. Mr. Lv graduated from Beijing University of Industry and Commerce (北京工商大學) with bachelor's degree in economics in 2001. Mr. Lv holds the certificate of "Certified Public Accountant".

Joint Company Secretaries

Mr. Li Jiangming (李江銘), male, was appointed as the joint company secretary of the Company on 1 March 2013 and was appointed as authorized representative of the Company on 10 September 2015. Details of Mr. Li's profile are set out in the section headed "Directors" above.

Ms. Ng Ching Mei (吳靜薇), female, was appointed as the joint company secretary and the authorized representative of our Company on 15 May 2017. Ms. Ng holds a Bachelor Degree of Business Administration in Accounting and Finance from the University of Hong Kong and is a fellow member of the Hong Kong Institute of Certified Public Accountants. She has extensive experience in auditing, finance and accounting gained from multinational corporations and an international accounting firm. She was the company secretary of Sanmenxia Tianyuan Aluminum Company Limited (a company previously listed on The Stock Exchange of Hong Kong Limited with the stock code of 8253.HK) from April 2014 to September 2015.

Report of the Directors

The Board hereby presents this Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the "Consolidated Financial Statements").

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 7 February 2011 as an exempted company with limited liability. The Group's operations are substantially conducted through its subsidiaries in the PRC. The Group is principally engaged in the excavation of limestone, production, sale and distribution of clinker and cement. Details of the principal subsidiaries of the Group during the year ended 31 December 2019 are set out in Note 56 to the Consolidated Financial Statements.

Details of the business review of the Company are set out in the section of "Management Discussion and Analysis — Business Environment" of this annual report which forms part of the directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in this Annual Report.

The Board did not propose the declaration of final dividend for the year ended 31 December 2019 (2018: Nil).

FINANCIAL SUMMARY

A summary of our results and the assets and liabilities for the current financial year and for the past five financial years, as extracted from the Group's audited consolidated financial statements, is set out in the section headed "Financial Summary" of this Annual Report which forms part of the directors' report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in Note 17 to the Consolidated Financial Statements of this Annual Report.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings are set out in Notes 36, 37, 39 and 40 to the Consolidated Financial Statements of this Annual Report.

SHARE CAPITAL

During the year ended 31 December 2019, there was no movement in the share capital of the Company.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity of this Annual Report.

DISTRIBUTABLE RESERVES OF THE GROUP

The Group's retained earnings available for distribution to shareholders as at 31 December 2019 amounted to RMB8,598.0 million (31 December 2018: RMB6,999.2 million).

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of our Directors, our Company has maintained the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as at the date of this Annual Report.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive right under the Company's articles of association or applicable laws of the Cayman Islands where the Company was incorporated.

DIRECTORS

The Directors of the Company as at 31 December 2019 were:

Non-executive Director and Chairman of the Board of Directors

Mr. Li Liufa

Executive Directors

Ms. Li Fengluan
Mr. Ding Jifeng
Mr. Xu Wuxue
Mr. Li Jiangming

Independent Non-executive Directors

Mr. Kong Xiangzhong
Mr. Wang Ping
Mr. Du Xiaotang

DIRECTORS' PROFILES

Details of the Directors' profiles are set out in the section headed "Profiles of Directors and Senior Management" of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with our Company for a term of three years with effect from their respective date of appointment or re-appointment unless terminated by a not less than three months notice in writing served by either the executive Director or our Company. Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with the Company for a term of three years (as for Chairman Li, a non-executive Director) and one year (as for independent non-executive Directors), respectively, with effect from the dates of their respective appointment or re-appointment. The appointment is subject to the provisions of retirement and rotation of directors under the Articles of Association.

None of the Directors who would offer themselves for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

The Company has arranged appropriate insurance cover for the directors of the Company in respect of legal action against the directors during the year of 2019.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Du Xiaotang, the confirmation of their respective independence pursuant to rule 3.13 of the Listing Rules. We consider that each of our independent non-executive Directors has been independent during their respective appointment period in 2019 and remains independent as of the date of this Annual Report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

Name of Director	Capacity/Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Mr. Li Liufa[1]	Interest of corporation controlled by the director/ Long position	2,044,484,822[2]	69.58
Ms. Li Fengluan[1]	Interest of corporation controlled by the director/ Long position	2,044,484,822[2]	69.58

(1) Yu Kuo Company Limited ("Yu Kuo") is 51.25% owned by Holy Eagle Company Limited ("Holy Eagle") and 48.75% owned by Yu Qi Company Limited ("Yu Qi") by equity interests. Each of Holy Eagle and Yu Qi are wholly owned by Tianrui (International) Holding Company Limited ("Tianrui International"), which is wholly owned by Tianrui Group Company Limited ("Tianrui Group"). Tianrui Group is 70% owned by Mr. Li Liufa and 30% owned by Ms. Li Fengluan, the spouse of Mr. Li Liufa, respectively. Mr. Li Liufa and Ms. Li Fengluan are deemed to be interested in the shares held by Yu Kuo.

(2) As at 31 December 2019, Yu Kuo pledged its 899,247,000 shares (approximately 30.60% of the issued share capital of the Company) held in the Company to financial institutions in order to secure its own loans.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executives of the Company has or is deemed 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 will 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 will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2019 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

Reference is made to the circular ("Circular") of the Company dated 31 October 2014 in relation to the amended deed of non-competition ("Amended Non-competition Deed") which has been approved in the extraordinary general meeting of the Company on 17 November 2014 ("Effective Date"). Unless stated otherwise, capitalized terms used herein shall have the same meaning as those defined in the Circular.

Under the Amended Non-competition Deed, the Controlling Shareholders are allowed to pursue New Business Opportunity after they have fulfilled the notification and best-effort requirements as set out in the Amended Non-competition Deed. Further, the Controlling Shareholders have undertaken to, inter alia, grant the Company the Option upon the terms which are not less favourable than the acquisition in the first instance. The independent board committee should periodically review the New Business Opportunities, in order to determine whether to exercise the Option and disclose the basis for the decision.

The Board (including the independent non-executive directors) have duly reviewed the competing business owned by Tianrui Group Company (the controlling shareholder) pursuant to the Amended Non-competition Deed:

(1) Pingdingshan Ruiping Shilong

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 (indirectly and jointly wholly-owned by Chairman Li and Ms. Li Fengluan as to 40% and by an Independent Third Party as to 60%.

Ruiping Shilong is engaged in manufacturing and selling clinker in certain areas of Henan province, so its business competes with the Company's clinker operation in those areas.

As at 31 December 2019, 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 31 December 2019, Tianrui (International) Holding Company Limited, a wholly-owned subsidiary of Tianrui Group Company which is owned as to 70% by Chairman Li and 30% by Ms. Li Fengluan, has an interest in a total of 951,462,000 shares of China Shanshui Cement Group Limited (stock code: 691) ("Shanshui Cement", a company which is listed on the Main Board of the Stock Exchange) representing approximately 21.85% issued share capital of Shanshui Cement. Shanshui Cement is engaged in production of clinker and cement in China.

As at 31 December 2019, 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 recent performance of Shanshui Cement.

COMPETING BUSINESS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in the section headed "Compliance with Non-competition Undertaking" above, none of the Directors or Controlling Shareholders was interested in any business which competes or is likely to compete (directly or indirectly) with the business of the Group during the year ended 31 December 2019.

During the reporting period, the independent non-executive Directors have reviewed the compliance with the Non-competition Deed based on information and confirmation provided by or obtained from the Controlling Shareholders and their respective associates (as defined under the Listing Rules), and were satisfied that the controlling shareholders of the Company, namely, Mr. Li Liufa, Ms. Li Fengluan, Tianrui Group Company Limited, Tianrui (International) Holding Company Limited, Holy Eagle Company Limited, Yu Kuo Company Limited and Yu Qi Company Limited (collectively, the "Controlling Shareholders") and their respective associates have complied with the provisions of the Amended Deed of Non-competition Undertaking entered into between the Company and the Controlling Shareholders on 16 October 2014 (the "Amended Deed of Non-competition Undertaking").

DIRECTORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2019, save as disclosed in "Compliance with Non-competition Undertaking", "Connected Transaction and Continuing Connected Transactions" or otherwise in this annual report, no contract of significance in relation to the Group's business to which the Company, or any of its subsidiaries was a party, and in which a Director or Controlling Shareholder of the Company had a material interest, whether directly or indirectly subsisted at the closing or any time during the year.

DIRECTORS' REMUNERATION

Our Directors' fees are subject to shareholders' approval at general meetings. Other emoluments, bonus and benefits are proposed by our Remuneration Committee to the Board and determined with reference to the prevailing market conditions, Directors' duties, responsibilities and our performance and results of the Group.

The details of the emoluments paid to the five highest paid individuals among Directors and Senior Management of the Company during the year are set out in Notes 13 and 14 to the Consolidated Financial Statements of this Annual Report.

RETIREMENT SCHEMES

The employees of the Group in the PRC are members of a state-managed employee benefit plans operated by the PRC government such as pension funds, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing funds. The Group is required to contribute a specified percentage of its payroll costs to the employee benefit plans to fund the benefits

The Group's contributions to the employee benefit plans for the year ended 31 December 2019 were RMB40.5 million. Particulars of these plans are set out in Note 49 to the Consolidated Financial Statements of this Annual Report.

MANAGEMENT CONTRACTS

Other than employment contracts with employees of the Company, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were existed or entered into with any individual, company or body corporate during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, to the best knowledge of the Directors and the senior management of the Company, the persons who had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO were as follows:

Name	Capacity/Nature of interests	Total number of shares	Approximate percentage of shareholding (%)
Yu Kuo	Beneficial owner/Long position[1]	2,044,484,822[2]	69.58
Tianrui Group	Interest of corporation controlled by the substantial shareholder/Long position[1]	2,044,484,822[2]	69.58
Tianrui International	Interest of corporation controlled by the substantial shareholder/Long position[1]	2,044,484,822[2]	69.58
Holy Eagle	Interest of corporation controlled by the substantial shareholder/Long position[1]	2,044,484,822[2]	69.58
Yu Qi	Interest of corporation controlled by the substantial shareholder/Long position[1]	2,044,484,822[2]	69.58
Mr. Li Liufa	Interest of corporation controlled by the director/ Long position[1]	2,044,484,822[2]	69.58
Ms. Li Fengluan	Interest of corporation controlled by the substantial shareholder/Long position[1]	2,044,484,822[2]	69.58
The Export-Import Bank of China	Party with security interest over the shares/Long position	315,000,000	10.72
Buttonwood Investment Holding Company Ltd.	Interest of controlled corporation/Long position	315,000,000	10.72
PA Investment Funds SPC — PA Greater China Industrial Opportunities Fund Segregated Portfolio	Beneficial owner/Long position	237,600,000	8.09
China Huarong Asset Management Co., Ltd.	Interest of controlled corporation/Long position	420,747,000	14.32
China Huarong International Holdings Limited	Interest of controlled corporation/Long position	300,000,000	10.21
Right Select International Limited	Interest of controlled corporation/Long position	300,000,000	10.21
Best Ego Limited	Party with security interest over the shares/Long position	300,000,000	10.21

Name	Capacity/Nature of interests	Total number of shares	Approximate percentage of shareholding (%)
Haitong International Investment Solutions Limited	Party with security interest over the shares/Long position	167,001,000	5.68
Haitong International Holdings Limited	Interest of controlled corporation/ Long position	167,001,000	5.68
Haitong International Securities Group Limited	Interest of controlled corporation/ Long position	167,001,000	5.68
Haitong Securities Co., Limited	Interest of controlled corporation/ Long position	167,001,000	5.68
Henan Jiuding Financial Leasing Co., Ltd	Party with security interest over the shares/Long position	200,000,000	6.81

(1) Yu Kuo is 51.25% and 48.75% owned by Holy Eagle and Yu Qi respectively by equity interests. Holy Eagle and Yu Qi are wholly owned by Tianrui International respectively, whereas Tianrui International is wholly owned by Tianrui Group. Tianrui Group is 70% and 30% owned by Mr. Li Liufa and Ms. Li Fengluan, the spouse of Mr. Li Liufa respectively. Mr. Li Liufa, Ms. Li Fengluan, Tianrui Group, Tianrui International, Holy Eagle and Yu Qi are respectively deemed to be interested in the shares held by Yu Kuo.

(2) As at 31 December 2019, Yu Kuo pledged its 899,247,000 shares (approximately 30.60% of the issued share capital of the Company) held in the Company to financial institutions in order to secure loans for its own.

Saved as disclosed above, as at 31 December 2019, no other person has any interest or short position which shall be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE-BASED INCENTIVE SCHEMES

Share Option Scheme

Adoption and Validity Period

The Company has adopted a share option scheme (the "Share Option Scheme") on 12 December 2011 (the "Adoption Date"). The Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the tenth anniversary (i.e. 12 December 2021) of the Adoption Date (the "Scheme Period").

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide person(s) and parties working for the interests of our Group with an opportunity to obtain an equity interest in our Company, thus linking their interests with the interests of our Group and thereby providing them with an incentive to work better for the interests of our Group.

Maximum Options to be Granted

As at the date of the 2019 Annual Report, the total number of Shares issued upon exercise of all Options granted under the Share Option Scheme must not in aggregate exceed 3% of the Shares of the Company (or its subsidiaries) as at the Listing Date (being 72,027,000 shares, representing 2.45% of the issued shares of the Company as at the date of the 2019 Annual Report).

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 30% of the shares in issue from time to time where there are options to be granted and yet to be exercised.

Unless approved by Shareholders in general meeting at which the relevant Eligible Person and his or her associates abstain from voting in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, the total number of Shares issued and to be issued upon exercise of the Options granted to such Eligible Person (including exercised, cancelled and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue (the "Individual Limit") at such time.

Option Period

The period within which the options must be exercised shall be determined by the Directors at the time of grant and such period must expire no later than ten years from the date the offer has been made to the grantees (the "Option Period"). All outstanding options shall lapse when the Option Period expires, the employment of the holder ceases or where the holder is no longer a member of the Group.

Eligible Person

The Directors may at their absolute discretion grant Options to all Directors (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to our Company or our Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to our Company or our Group and each of the persons mentioned above is referred to as an "Eligible Person".

Acceptance of Options

The Eligible Person may accept the offer within 21 days from the date of offer (or such other period as may be determined by the Board), provided that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the scheme has been terminated in accordance with its terms.

When the duplicate letter comprising acceptance of the Option is duly signed by the Eligible Person, it should be submitted together with the remittance of HK$1 in favor of our Company, as a consideration for the grant irrespective of the number of Shares in respect of which the Option is accepted.

Subscription Price

The subscription price in respect of any particular Option shall be such price as the Board may at its absolute discretion determine at the time of the grant of the relevant Option (the "Subscription Price"), but in any case the Subscription Price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Date of Grant; and (iii) the nominal value of a Share.

Grant, Vesting, Cancellation and Lapse of Options During 2019

Since the Adoption Date and as of 31 December 2019, no option has been granted, vested or cancelled, or has lapsed under the Share Option Scheme.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2019, save as disclosed below, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

(a) Purchase of Clinker

(1) On 16 October 2019, Tianrui Cement Group Company Limited ("Tianrui Cement"), a wholly owned subsidiary of the Company, and Pingdingshan Ruiping Shilong Cement Company Limited ("Ruiping Shilong") entered into the clinker supply framework agreement (the "Clinker Supply Framework Agreement") pursuant to which Tianrui Cement agreed to purchase the clinker 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.

Ruiping Shilong is held as to 40% equity interest by Tianrui Cement and 60% by Ruiping Power, Ruiping Power is held by Tianrui Foundry (indirectly and jointly wholly-owned by Chairman Li and Ms. Li Fengluan) as to 40% and by an independent third party as to 60%. Chairman Li, the chairman, non-executive Director, controlling shareholder and ultimate controlling shareholder of the Company, and Ms. Li Fengluan, an executive Director of the Company control more than 30% of the voting power at general meeting of Ruiping Shilong. Ruiping Shilong is therefore an associate of Chairman Li and Ms. Li Fengluan and a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Clinker Supply Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The background and purpose for entering into the Clinker Supply Framework Agreement were: with the continuous development of the Group, it is expected that the demand for clinker, a major intermediate product of cement, would increase. In light of its proximity of the Group, Ruiping Shilong has been providing a stable supply of clinker with low transportation costs over the past years. As such, the Group intended to satisfy its clinker demand by entering into the Clinker Supply Framework Agreement with Ruiping Shilong.

Pursuant to the Clinker Supply Framework Agreement, the annual caps of the transactions contemplated thereunder were RMB800,000,000, RMB1,000,000,000 and RMB1,000,000,000 for each of the three years ending 31 December 2019, 2020 and 2021 respectively.

For the year ended 31 December 2019, Tianrui Cement purchased clinker from Ruiping Shilong with transaction value of RMB610.4 million.

The Board hereby confirms that the auditors' letter relating to the above continuing connected transaction has been submitted to the Stock Exchange pursuant to Rules 14A.56 and 14A.57 of the Listing Rules.

(b) Mutual guarantees

On 11 May 2017, the Company and Tianrui Group Company Limited ("Tianrui Group") entered into a framework agreement in relation to the provision of mutual guarantees (the "2017 Framework Agreement"), with a term from 11 May 2017 to 31 December 2019 ("Term").

Tianrui Group is owned as to 70% by Chairman Li and 30% by Ms. Li Fengluan is therefore an associate of a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the 2017 Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As disclosed in the circular of the Company dated 19 July 2017 (the "Circular of Mutual Guarantees"), according to the 2017 Framework Agreement: (a) Tianrui Group 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 the Company or its subsidiaries (the "Tianrui Group Guarantee"); (b) the Company 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 or its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business) (the "Company Guarantee"). On the same date as the 2017 Framework Agreement, Chairman Li, entered into the Counter Guarantee Agreement with the Company, pursuant to which Chairman Li has agreed to indemnify the Company or its subsidiaries by means of the Counter Guarantee for any amount that it would have to pay in accordance with each Tianrui Cement under the 2017 Framework Agreement (the "Counter Guarantee"). For details on Tianrui Group Guarantee, Company Guarantee and Counter Guarantee, please refer to the paragraph headed "Major Terms of 2017 Framework Agreement and the Transactions Contemplated Thereunder" in the Circular of Mutual Guarantees.

The background and purpose for entering into the 2017 Framework Agreement was that: (a) it is common commercial practice in China that the lenders require the provision of guarantees as security for granting loans to borrowers. In particular, for a privately-owned company like Tianrui Cement, the PRC banks often require the provision of the third-party guarantee for granting a loan; (b) the historical utilization of the Tianrui Group Guarantee is greater than that of the Tianrui Cement Guarantee, and there has not been default of any loans guaranteed by either the Tianrui Group Guarantee or the Tianrui Cement Guarantee; (c) the Group's business is capital-intensive and financing is necessary; (d) with respect to the Tianrui Cement Guarantee, the risks involved in assisting the financing of Tianrui Group are manageable, which is reflected by the provision of indemnity by both Tianrui Group and Chairman Li for any amount payable by Tianrui Cement. For details on the purposes of and reasons for the above transactions, please refer to the paragraph headed "Reasons for and Benefits of the 2017 Framework Agreement" in the Circular of Mutual Guarantees.

As at 31 December 2019, according to the 2017 Framework Agreement and as approved by a special committee, the Company (including its subsidiaries) provided guarantees of RMB1,581.6 million in aggregate to Tianrui Group (including its subsidiaries), while Tianrui Group (including its subsidiaries) provided guarantees of RMB2,263.0 million in aggregate to Tianrui Cement (including its subsidiaries).

For the year ended 31 December 2019, the highest daily balance of guarantees provided by the Company (including its subsidiaries) in aggregate to Tianrui Group (including its subsidiaries) was RMB1,581.6 million, while the highest daily balance of guarantees provided by Tianrui Group (including its subsidiaries) in aggregate to the Company (including its subsidiaries) was RMB2,881.0 million.

The Board hereby confirms that the auditors' letter relating to the above continuing connected transactions has been submitted to the Stock Exchange pursuant to Rules 14A.56 and 14A.57 of the Listing Rules.

(c) Deposit and financial services agreements

On 6 October 2017, Tianrui Cement Group Company Limited ("Tianrui Cement"), a wholly owned subsidiary of the Company, and Tianrui Group Finance Company Limited ("Tianrui Finance") entered into (i) the deposit services agreement (the "Deposit Services Agreement"), pursuant to which Tianrui Finance agreed to provide Tianrui Cement and its subsidiaries (the "Cement Group") with the deposit services (*inter alia*, demand deposit, saving deposit, notice deposit and agreed deposit services) (the "Deposit Services") for a term commencing from the date of approval of the Deposit Services Agreement by the independent Shareholders (i.e. 29 December 2017) to 31 December 2019; and (ii) the financial services agreement (the "Financial Services Agreement"), pursuant to which Tianrui Finance agreed to provide the Cement Group with the credit services and settlement services (the "Financial Services") for a term commencing from 29 December 2017 to 31 December 2019.

Tianrui Finance is a subsidiary of Tianrui Group. Tianrui Finance is held as to 74.5% equity interest by Tianrui Group and its subsidiaries. Tianrui Group is the holding company of Tianrui (International) Holding Company Limited which owns the entire issued share capital of Holy Eagle Company Limited and Yu Qi Company Limited, which together owns the entire issued share capital of Yu Kuo, a controlling Shareholder of the Company. Accordingly, Tianrui Finance is a connected person of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Deposit Services Agreement and the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As disclosed in the circular of the Company dated 12 December 2017 (the "Circular"), the principal terms of the Deposit Services were: the interest rate(s) offered by Tianrui Finance to the Cement Group for the Deposit Services shall not be lower than (i) the relevant benchmark interest rate(s) as set by the PBOC and (ii) the interest rate(s) offered to the Cement Group by other mainstream financial institutions in the PRC for comparable deposits of similar nature and under similar terms during the same period. The daily balance of the Cement Group's deposits (including any interest accrued therefrom) with Tianrui Finance for the years ending 31 December 2017, 2018 and 2019 shall not exceed RMB700 million, RMB1 billion and RMB1 billion, respectively. However, the amount deposited by the Cement Group with Tianrui Finance shall not be more than the usage of the total amount of funds provided by Tianrui Finance and its affiliates to the Group (including but not limited to any loan provided by Tianrui Finance and its affiliates to the Cement Group). In the event of any default by Tianrui Finance as a result of which the Cement Group not being able to recover the amount deposited with Tianrui Finance, the Group will be able to offset the amounts owing by Tianrui Finance to the Cement Group against the amounts due from the Cement Group to Tianrui Finance.

The principal terms of the Financial Services provided by Tianrui Finance to member(s) of the Cement Group are set out below:

1. *The Credit Services*

Subject to the compliance of other applicable laws and regulations, the internal compliance and approval of Tianrui Finance and the entering of definitive agreement, Tianrui Finance would provide comprehensive credit facilities services to the Cement Group in aggregate amount of RMB1.5 billion, RMB2 billion and RMB2.5 billion for the years ending 31 December 2017, 2018 and 2019, respectively.

The interest rate for the Credit Services to be provided by Tianrui Finance to the Cement Group shall be determined on normal commercial terms by reference to the interest rate(s) announced by the PBOC and the market conditions, but shall not exceed the highest interest rate offered by the PBOC for the same type of loan, and shall not exceed the interest rate offered by major financial institutions for the same type of loan.

2. *The Settlement Services*

Tianrui Finance would provide collection and payment services and other relevant clearing and settlement services for the member(s) of the Cement Group free of charge. Tianrui Finance shall ensure that its settlement services system operates safely which protects the security of funds and control the risk of assets and liabilities.

3. *Other Services*

If Tianrui Finance provides any other financial services as approved by China Banking Regulatory Commission to the Cement Group, Tianrui Finance and Tianrui Cement will enter into a separate agreement, in accordance with the Financial Services Agreement and the requirements of the Listing Rules.

The fees so charged shall not be higher than the rates for the same type of services of the same period offered by any financial institutions for the same type of services in PRC.

Proposed Caps

The Company proposed the annual caps for the Credit Services for the years ending 31 December 2017, 2018 and 2019 are RMB1.5 billion, RMB2 billion and RMB2.5 billion, respectively.

The background and purpose for entering into the Deposit Services Agreement and the Financial Services Agreement are: Tianrui Finance is a non-banking financial institution subject to the supervision of the CBRC and is authorized to provide a variety of financial services including deposit services by PRC law and regulations even though it is not a bank. Given the connection between the Company and Tianrui Finance the Company is familiar with the operation of Tianrui Finance and believes that it is a reliable and suitable financial institution to make deposit with. The interest of Tianrui Cement has been protected under various terms of the Deposit Agreement. Pursuant to the Financial Services Agreement, Tianrui Finance shall provide credit to Tianrui Cement from time to time. According to the Deposit Services Agreement, the amount deposited by Tianrui Cement in Tianrui Finance shall at all time be less than the total loan outstanding balance provided by Tianrui Finance to Tianrui Cement. Furthermore, in case of any default by Tianrui Finance in returning any deposit amount, Tianrui Cement is entitled to offset the amounts owing by Tianrui Finance to Tianrui Cement against the amounts due from Tianrui Cement to Tianrui Finance. With proper internal control measures, Tianrui Cement can control the amount to be deposited with Tianrui Finance to a level that is lower than the total outstanding balance owing to Tianrui Finance. Therefore, there will not be actual loss to be incurred by Tianrui Cement in case of default by Tianrui Finance and the interest of Tianrui Cement is safeguarded.

For the year ended 31 December 2019, the highest daily deposit amount Tianrui Cement placed with Tianrui Finance was RMB941.8 million, while the highest daily balance of unsecured loans provided by Tianrui Finance to Tianrui Cement in respect of the Credit Services was RMB1,650.0 million.

The Board hereby confirms that the auditors' letter relating to the above continuing connected transactions has been submitted to the Stock Exchange pursuant to Rules 14A.56 and 14A.57 of the Listing Rules.

Annual Review by Independent Non-executive Directors and Auditor

Pursuant to the Listing Rules, the above connected transaction and continuing connected transactions have been reviewed by the independent non-executive Directors of our Company, who confirmed that these continuing connected transactions and connected transactions were entered into:

(1) in the ordinary and usual course of business of the Group, and either on normal commercial terms or on terms no less favorable to us than terms available to or from independent third parties; or

(2) not in the normal and ordinary course of business of the Group, but on commercial terms more favorable to the Group; and

(3) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in them interests of the shareholders of our Company as a whole.

Pursuant to Rule 14A.56 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the board of directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange of Hong Kong Limited.

The auditors confirmed that, as of 31 December 2019, the foregoing continuing connected transactions:

(1) have been approved by the board of Directors;

(2) were entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(3) have not exceeded the relevant annual caps.

Related parties transactions

During the year ended 31 December 2019, the Group also engaged in certain related party transactions as disclosed in Note 50 to the Consolidated Financial Statements of this Annual Report. The related party transactions comprise (1) the Group's purchase of clinker from Ruiping Shilong which have been approved by the Board of the Company as set out in the section headed "Connected Transaction and Continuing Connected Transactions — (a) Purchase of Clinker" above; (2) the Group's rental of office from Tianrui Group Company at a consideration of RMB1,800,000 which is a connected transaction fully exempt under Rule 14A.76 of the Listing Rules; (3) provision of guarantees to Tianrui Group Company (and its subsidiaries) which have been approved by the independent shareholders of the Company as set out in the section headed "Connected Transaction and Continuing Connected Transactions — (b) Mutual Guarantees" above; and (4) deposit in Tianrui Finance as set out in the section headed "Connected Transaction and Continuing Connected Transactions — (c) Deposit and financial services agreements" above, and is approved by the independent Shareholders of the Company. Further, the derivative financial assets as set out in the note 26 to the financial statements represent the Options granted by Tianrui Group to the Company with respect to the competing business which has been acquired by Tianrui Group pursuant to the amended deed of non-competition ("Amended Non-competition Deed"), the details of which is set out in the circular of the Company dated 31 October 2014. The Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules during the year under review.

MAJOR CUSTOMERS, SUPPLIERS AND EMPLOYEES

For the current financial year ended 31 December 2019, total sales to our five largest customers accounted for less than 30% of the Group's total sales. Total purchase from our five largest suppliers accounted for less than 30% of the Group's total purchase

Our major customers are real estate developers and concrete manufacturers etc, and major suppliers are raw material suppliers, equipment suppliers and other business partners. It is important to maintain a good relationship with customers and suppliers. Accordingly, our Group has taken measures to strengthen communication with them in order to supply highly-quality productions and services, maintain good relationships in respect of the supply chain and business challenges respectively.

"Employees" are set out in the Management Discussion and Analysis section which forms part of the directors' report.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

During the period ended 31 December 2019, save as disclosed in the Corporate Governance Report of this Annual Report, all the code provisions set out in the Code contained in Appendix 14 to the Listing Rules were met by the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

Details of the Company's compliance with the Model Code for Securities Transactions are set out in the Corporate Governance Report of this Annual Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company regards the fulfillment of environmental and social responsibilities as one of the important strategies for the corporate development. As always, the Company assumes social responsibilities, protects the ecological environment and achieves sustainable development. The Company will focus on the rational use of resources and maintain ecological balance to enhance the Company's core competitiveness and brand value. In 2019, the Company earnestly implemented various national environmental protection laws and regulations, promoted energy conservation, emission reduction and pollution prevention, and several factories in Zhengzhou were accredited for low-carbon products. The Company strengthened the ecological restoration and greening of mines, and a number of branches and subsidiaries received awards such as provincial and municipal green mines and green factories. The Company adheres to the people-oriented principle, pays attention to the skill training of employees, carries out hazard factors detection and labor protection to protect the health and rights of employees. At the same time, the Company actively participated in student assistance and poverty alleviation activities to enhance its social value.

COMPLIANCE WITH LAWS AND REGULATIONS

As at 31 December 2019 and up to the date of this report, the Board was unaware of any non-compliance with the relevant laws and regulations that have a significant impact on the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is of the view that the principal risk and uncertainty is the general global economy slowdown which might lead to declining demand for cement and clinker in the PRC market.

FUTURE PLAN

In light of the general global economy slowdown which might lead to declining demand for cement and clinker in the PRC market, the Company will take a cautious approach with respect to production expansion and will put in more efforts to improve operating efficiency.

AUDITORS

The Consolidated Financial Statements have been audited by Deloitte Touche Tohmatsu ("Deloitte"), who will retire and, being eligible, offer themselves for re-appointment at the forthcoming general meeting.

A resolution to re-appoint Deloitte as our external auditor will be submitted for shareholders' approval at our forthcoming annual general meeting. The Company has been engaging Deloitte as its auditor for the past nine years.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Our Company is committed to maintaining a high standard of corporate governance. The principle of our 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 2019 to 31 December 2019, our Company had adopted the code provisions set out in Corporate Governance Code contained in Appendix 14 to the Listing Rules as its own code to corporate governance practices. Except as stated in the reminders of this section, our Company had been in compliance with all code provisions set out in the Corporate Governance Code throughout the year ended 31 December 2019.

As the CEO of the Company resigned on 1 December 2015, and as at the date of this report, the Company has not yet appointed a new CEO. The Company will actively seek a new CEO. In the meantime, the Board of the Company established an Executive Committee, which was composed of three executive Directors. 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.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

As at 31 December 2019, Yu Kuo Company Limited, the controlling shareholder, pledged its 899,247,000 shares (approximately 30.60% of the issued share capital of the Company) held in the Company in total to various financial institutions specified by the institutional lenders in order to fulfill the conditions of securing its own loans from the lenders.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

Our 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 by the Company 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 2019.

BOARD OF DIRECTORS

Responsibilities of the Board

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and management performance so as to protect and enhance the interests of the Company and its shareholders. Matters relating to the day-to-day operation of the Group are delegated to management. For the period from 1 January 2019 to 31 December 2019, the Board (among other things) considered and approved the annual budget, results of operations and the reconciliation between them, together with management work report and the annual results for the year ended 31 December 2019, monitored the operation of our Group's key business, and assessed our Group's internal control and financial matters.

Composition of the Board

As at 31 December 2019, the Board comprises eight Directors, including four executive Directors: Ms. Li Fengluan, Mr. Ding Jifeng, Mr. Xu Wuxue and Mr. Li Jiangming; one non-executive Director: Mr. Li Liufa (the Chairman of the Board); and three independent non-executive Directors, being Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Du Xiaotang. Mr. Li Liufa is the Chairman of the Board of the Company. Ms. Li Fengluan is the spouse of Mr. Li Liufa and the elder sister of Mr. Li Jiangming. The profiles of the Directors are set out in the section headed "Profiles of Directors and Senior Management" in this Annual Report.

Non-executive Directors

As at 31 December 2019, our Company has one non-executive Director, being Mr. Li Liufa, who is also the Chairman of the Board, with a term of three years commencing from 31 December 2017.

Independent Non-executive Directors

As at 31 December 2019, the Company has three independent non-executive Directors: Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Du Xiaotang, with a term for a year with effect from 24 December 2019 for Mr. Kong Xiangzhong and Mr. Wang Ping and with effect from 11 June 2019 for Mr. Du Xiaotang.

Appointment, re-election and removal of Directors

Our Company has established a nomination committee (the "Nomination Committee") with written terms of reference. The Nomination Committee is responsible for formulating the procedures for the appointment and removal of Directors. In selecting proposed Directors, the Nomination Committee considers the integrity, industry achievements and experience, expertise, educational background of candidates and whether they have sufficient time to perform their duties as Directors.

In accordance with Rule A.4 of Appendix 14 of the Hong Kong Listing Rules and article 84 and clause 3 of article 83 of the Articles of Association of our Company, at each annual general meeting one-third of Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Board may from time to time and at any time appoint any person to be a Director, either to fill a casual vacancy on the Board, or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment, and be subject to re-election at such meetings. Any Director appointed by the Board as an addition to the existing Board shall hold office until the next annual general meeting of the Company and shall be eligible for re-election.

In accordance with article 86 of the Articles of Association of our Company, the office of a Director shall be vacated if the Director: (1) resigns his office by notice in writing delivered to our Company at the Office or tendered at a meeting of the Board; (2) becomes of unsound mind or dies; (3) without special leave or absence from the Board, is absent from meetings of the Board for six consecutive months, and his alternate Director, if any, shall not during such period have attended in his stead and the Board resolves that his office be vacated; (4) becomes bankrupt or has a receiving order made against him or suspended payment or compounds with his creditors; (5) is prohibited by law from being a Director; or (6) ceases to be a Director by virtue of the Statutes or is removed from office pursuant to these Articles.

BOARD MEETINGS

The Board conducts meetings on a regular or irregular basis to discuss the overall strategy and operational and financial performance of our Group. During the year ended 31 December 2019, the Board held seven meetings (excluding the Board meetings held by way of circulation of a written resolution) as required by the operation and development of the Group. The attendance record of each Director is as follows:

Name of Directors	Attendance/Number of meetings held
Executive Directors	
Ms. Li Fengluan	7/7
Mr. Ding Jifeng	7/7
Mr. Xu Wuxue	7/7
Mr. Li Jiangming	7/7
Non-executive Director	
Mr. Li Liufa	7/7
Independent Non-executive Directors	
Mr. Kong Xiangzhong	7/7
Mr. Wang Ping	7/7
Mr. Du Xiaotang	7/7

Our Company gives notices of Board meetings of a reasonable period, and the procedures for the Board meetings are in compliance with the Articles of Association of our Company and relevant rules and regulations. Meeting agendas and relevant documents are circulated to all Directors (for some Board meetings in respect which notices and information were not provided to the Board in a timely basis, attention has been brought to each of Directors and waiver from compliance has been obtained) in a timely manner. In order to ensure the compliance with the procedures for the Board meetings and all applicable rules and regulations, all Directors have full and timely access to all relevant information and may request the opinions and services of our joint company secretaries. Upon making a request to the Board, all Directors may seek independent professional opinions to discharge their duties at the expense of our Company.

The joint company secretaries shall keep minutes of Board meetings which shall be available for inspection by Directors and the auditors of our Company.

Our Company held a meeting attended by the chairman of the Board and the independent non-executive Directors during the period in compliance with requirements under Rule A.2.7 of Appendix 14 of the Hong Kong Listing Rules to discuss and consider duties and roles of the Board and its relevant members as well as their performance during the reporting period.

GENERAL MEETING

Our Company held in total four general meetings, being respectively one annual general meeting and three extraordinary general meetings, for the year from 1 January 2019 to 31 December 2019. The attendance record of Directors is as follows:

List of Directors	Attendance/Number of meetings held
Executive Directors	
Ms. Li Fengluan	1/4
Mr. Ding Jifeng	4/4
Mr. Xu Wuxue	4/4
Mr. Li Jiangming	4/4
Non-executive Director	
Mr. Li Liufa	1/4
Independent Non-executive Directors	
Mr. Kong Xiangzhong	4/4
Mr. Wang Ping	4/4
Mr. Du Xiaotang	4/4

As Yu Kuo Company Limited, which held a total of 69.58% shares of our Company and was ultimately owned by Chairman Li and Ms. Li Fengluan, was a connected person of the resolutions and had material interests in the resolutions to be passed at the three extraordinary general meetings. Chairman Li, Ms. Li Fengluan and parties acting in concert with them holding 69.58% shares of our Company abstained from voting and therefore, Chairman Li and Ms. Li Fengluan only attended one general meeting.

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions performed by the Board of Directors include the following:

(a) Formulate and review the corporate governance policy and practice of the Company;

(b) Review and monitor the training and continuous professional development of Directors and the senior management;

(c) Review and monitor the policy and practice of the Company in compliance with laws and regulatory requirements;

(d) Review the compliance with the Code of Corporate Governance by the Company and the disclosure in the Corporate Governance Report.

BOARD DIVERSITY POLICY

The Board adopt the following board diversity policy (the "Board Diversity Policy"):

In order to achieve a sustainable and balanced development, the Company has realized it is very important to enhance diversity of the Board as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All the appointments made by the Board will be based on meritocracy, with the benefit to the Board made by the board diversity policy. Selection of Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the specific demand for talents of the various stages in our business development and strategic planning.

The composition of the Board (including gender, age, educational background, and professional experience) has been disclosed in the "Profiles of Directors and Senior Management".

TRAINING FOR DIRECTORS

The Company is obliged to make arrangements for training courses (including the provision of information relating to the Group) in relation to the roles, functions and responsibilities of the Directors so that the Directors are able to update or enhance their knowledge to ensure their continuous contribution to the Board of Directors.

For the year ended 31 December 2019, regulatory updates and information relevant to the Company or its business were provided to Mr. Li Liufa, Chairman of the Board and non-executive Director of the Company, Ms. Li Fengluan, Mr. Ding Jifeng, Mr. Xu Wuxue and Mr. Li Jiangming, executive Directors of the Company on a regular basis. Besides, Mr. Li Jiangming attended the seminar for enhancement of continuing professional development organized by the Hong Kong Institute of Chartered Secretaries. Mr. Kong Xiangzhong, independent non-executive Director of the Company, attended training for senior management of listed companies held by the Shenzhen Stock Exchange. Mr. Wang Ping, independent non-executive Director, attended training for directors organized by professional institutions and studied the regulatory updates of the Stock Exchange on a regular basis. Mr. Du Xiaotang, independent non-executive Director attended 31.5 hours of in-house training and training organized by professional institutions.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control system and has approved the effectiveness of the audit committee's annual review over the risk management and internal control system of the Company and its subsidiaries, including the effectiveness of financial control, operation control and compliance control, and has confirmed that it is sufficient and effective. The purpose of establishment and effective operation of such systems is to manage but not eliminate the risk of failing to achieve business objectives, and to make reasonable but not absolute assurance for no material misstatement or loss.

The Group establishes a three-level management system to identify, collect, assess, respond, evaluate and improve risk management and internal control. The three-level management system includes all relevant functional departments and business unites established internally by all branch companies and subsidiaries, in order to establish risk management group with managers as persons-in-charge; establishes risk management office with the Company management and its corporate functional departments and supervisory units thereunder, with general managers of companies as persons-in-charge; supervises management duties by the Board of the Company and the audit committee under the Board. The internal audit institution is the executive department for performing specific supervisory management, where the risk management group will issue risk management manual as guidelines for ordinary identification, collection and report to the risk management office. Legal institution is the advisory institution for the risk management office, it will advise on the preparation of risk management related system and material risk management practice, as well as the establishment of risk management organization and institution. The risk management office is a standing risk management institution to report to the audit committee and the Board. The internal audit institution is an ordinary supervisory institution and provide improvement advice to the risk management office, and, if necessary, report to the audit committee.

In relation to the process and control for the identification, collection, assessment, processing and release of inside information, the Board Office establishes the "Guidelines for Inside Information Management of China Tianrui Group Cement Company Limited"《中國天瑞集團水泥有限公司內幕資訊管理制度》. The Board Office is a standing institution for information disclosure. Officers from all departments and all branch companies and subsidiaries are the first persons-in-charge and designated contact persons for information reporting and report to the Board Office. The Board Office will make assessment on the information collected and report to the secretary of the Board and the Board, if necessary, and proceed with the processing and release, if necessary, in accordance with the instructions.

BOARD COMMITTEES

There is an audit committee, a nomination committee and a remuneration committee under the Board (collectively referred to as the "Board Committees"). The Board Committees have been provided with sufficient resources to discharge their duties, and may, upon reasonable request, seek independent professional opinions at the expense of our Company under appropriate circumstances.

Audit Committee

The responsibilities of the Audit Committee are to assist the Board in performing its fiduciary duties relating to accounting, auditing, financial reporting, risk management and internal control of the Company and its subsidiaries (the "Group") and the Group's compliance with the relevant laws and regulations, including, but not limited to, to assist the Board in supervising (a) the completeness of the financial report of the Company; (b) the Company's compliance with the requirements of laws and regulations; (c) the qualifications and independence of the independent auditor of the Company and its performance of duties; (d) the performance of duties of the internal audit department of the Company; and (e) the design, implementation and supervision of the Company's risk management and internal control system.

The Audit Committee currently comprises three members, being independent non-executive Directors Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Du Xiaotang. Mr. Wang Ping is the chairman of the Audit Committee.

For the year from 1 January 2019 to 31 December 2019, the Company held a total of two Audit Committee meetings, at which it mainly reviewed and approved the annual audit report for 2018 and the interim review report for 2019 issued by Deloitte. Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Du Xiaotang attended both two meetings.

On 9 April 2020, the Audit Committee and the management of our Company discussed and reviewed the audited consolidated financial information of the Group for the year ended 31 December 2019.

Nomination Committee

The responsibilities of the Nomination Committee are to assess the independence of the independent non-executive Directors, review the effectiveness of the Board diversification policy and its execution, assist the Board in dealing with the nomination of members and composition of the Board and to make recommendations on appointment and removal of Directors to the Board. The Nomination Committee comprises three members, being independent non-executive Directors Mr. Kong Xiangzhong, Mr. Wang Ping and non-executive Director Mr. Li Liufa. Mr. Kong Xiangzhong is the chairman of the Nomination Committee.

For the year from 1 January 2019 to 31 December 2019, the Company held one Nomination Committee meeting, at which it mainly reviewed the structure, number of members and composition of the Board, assessed the independence of the independent non-executive Directors, discussed the retirement by rotation and re-election of each Director. Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Li Liufa attended the meeting.

The Nomination Policy

The nomination policy (the "Nomination Policy") sets out the nomination procedures, the process and criteria adopted by the Nomination Committee to select and recommend suitable candidates of directorship. In evaluating and selecting any candidate for the directorship, the following criteria should be considered:

- skills, knowledge, experience and professional expertise which are relevant to the operations of the Group;
- diversity aspects under the board diversity policy of the Group;
- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company;
- character and integrity;
- for Independent non-executive Directors, whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules; and
- any potential contributions that the candidate can bring to the Board.

Procedures for Nomination of Directors

Appointment of director

(i) If the Nomination Committee determines that an additional or replacement director is required, the Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate, including internal promotion, referral from directors, shareholders, management, advisors of the Company and external executive search firms.

(ii) The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company as a nominee for election to the Board and the appointment or re-appointment of directors and succession planning for directors is subject to the approval of the Board.

(iii) On making recommendation, the Nomination Committee may submit the candidate's personal profile and a proposal to the Board for consideration. In order to be a valid proposal, the proposal must clearly indicate the nominating intention and the candidate's consent to be nominated and the personal profile must incorporate and/or be accompanied by the full particulars of the candidate that are required to be disclosed under the Listing Rules, including the information and/or confirmation required under Rule 13.51(2) of the Listing Rules. If the candidate is proposed to be appointed as an INED, his or her independence shall be assessed in accordance with the factors set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.

(iv) The Board shall observe the Board Diversity Policy and shall, subject to merit and suitability, continue in its endeavours to introduce more diversity into the Board, taking into account professional experience and qualifications, gender, age, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving board diversity.

Re-election of director

(i) When a retiring director, being eligible, offers himself or herself for re-election, the Board shall consider and, if consider appropriate, recommend such retiring director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring director will be sent to the shareholders of the Company prior to a general meeting in accordance with the Listing Rules.

(ii) If an Independent non-executive Director is subject to the re-election, the Nomination Committee and/or the Board will also assess and consider whether he or she will continue to satisfy the independence requirements as set out in the Listing Rules.

(iii) Each proposed appointment or re-election of a Director shall be assessed and/or considered against the criteria and qualifications set out in the Nomination Policy by the Nomination Committee which shall recommend its views to the Board and/or the Shareholders for consideration and determination.

Remuneration Committee

The responsibilities of the Remuneration Committee are to make recommendations to the Board as to the overall remuneration policy and structure of all Directors and senior management of the Group, to review individual performance-based remuneration and to ensure no Director participates in the determination of his own remuneration. The Remuneration Committee has adopted the practice under the code provision B.1.2(c)(i) to recommend the remuneration packages of selected executive Directors and senior management to the Board. The Remuneration Committee comprises three members, being independent non-executive Directors Mr. Du Xiaotang, Mr. Kong Xiangzhong and executive Director Mr. Xu Wuxue. Mr. Du Xiaotang is the chairman of the Remuneration Committee.

For the year from 1 January 2019 to 31 December 2019, the Company held one Remuneration Committee meeting, at which it mainly discussed and approved the remuneration policy and structure of all Directors and senior management of the Group, reviewed the remuneration payments of Directors and senior management for 2018. Mr. Du Xiaotang, Mr. Kong Xiangzhong and Mr. Xu Wuxue attended the meeting.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration policy of the senior management has been recommended, reviewed and approved by our Remuneration Committee. The remuneration of the senior management who appear in the section headed "Profiles of Directors and Senior Management" in this Annual Report for the year ended 31 December 2019 was classified into one class: remuneration below HK$1,000,000.

DIVIDENDS POLICY

The Board has approved and adopted a dividend policy (the "Dividend Policy"). According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

1. the general financial condition of the Group;

2. the Group's actual and future operations and liquidity position;

3. the Group's future business expansion plans;

4. the Group's debt to equity ratios and the debt level;

5. the retained earnings and distributable reserves of the Group;

6. the general market conditions;

7. the cost of financing; and

8. any other factors that the Board might think appropriate.

Dividends may be declared and paid to the shareholders of the Company by way of cash or by other means that the Board considers appropriate. The declaration and payment of dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the Company's articles of association and any other applicable laws and regulations. The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

INDEPENDENT AUDITOR'S APPOINTMENT AND COMPENSATION

The independent auditor of our Company is Deloitte Touche Tohmatsu. For the year ended 31 December 2019, the compensation payable for the statutory audit provided by Deloitte Touche Tohmatsu is as follows:

Services provided by auditors	**Compensation** (RMB million)
Audit of annual report	2.7

The Audit Committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the independent auditors, which is subject to the approval by the Board and shareholders of the Company at the general meetings.

The Audit Committee will take into account certain factors including the audit performance, quality and objectivity and independence of the auditors, when assessing the auditors.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors of our Company have confirmed that it is responsible for making balanced, clear and understandable assessment of the consolidated financial statements set out in the annual and interim results. In preparing the financial report for the year ended 31 December 2019, the Directors have selected and applied consistently appropriate accounting policies, have adopted appropriate IFRS and have made prudent and reasonable judgment and estimates, and have prepared the financial statements on a going concern basis. The statement of the independent auditors of our Company regarding the presentation obligations for and opinions on the financial statements for the year ended 31 December 2019, are set out in the section headed the "Independent Auditors' Report" in this Annual Report.

JOINT COMPANY SECRETARIES

Mr. Li Jiangming and Ms. Ng Ching Mei are the joint company secretaries of the Company. For their details, please see the section headed "Profiles of Directors and Senior Management".

For the year ended 31 December 2019, Mr. Li and Ms. Ng had respectively attended 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The general meetings of our Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of our Company shall be held in each year. Each general meeting, other than an annual general meeting is referred to as an extraordinary general meeting ("EGM").

According to article 58 of the Articles of Association of our Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of our Company carrying the right of voting at general meetings of our Company shall at all times have the right, by written requisition to the Board or the secretary of our Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by our Company.

According to article 85 of the Articles of Association of our Company, no person other than a retiring Director at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head officer or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. The written notice must include the candidate's biographical details as required by rule 13.51(2) of the Listing Rules. The procedures for a shareholder to propose a candidate for election as a Director have been published on the Company's website.

Shareholders may also at any time make enquires to the Board. All enquiries shall be in writing and send by post to the principal place of business in Hong Kong of our Company or by e-mail to larryli@ctrcement.com or karencmng@ctrcement.com for the attention of the joint company secretaries.

INVESTOR RELATIONS

There were no material changes to the Articles of Association of our Company for the period from 1 January 2019 to 31 December 2019. Our Company has been strictly following and implementing the Listing Rules, timely disclosing true, accurate and complete information that needs to be disclosed, and also timely disclosing information that might materially affect the decision-making of shareholders and other interested parties.

Our senior management is committed to maintaining communication channels with investors to provide them with thorough understanding of our Company and its business and strategies. In this regard, our Company has specially designated a director of investor relations, and has established and maintained proper communication channels for proper communication with investors and information disclosure.

Independent Auditor's Report

Deloitte. 德勤

To the Members of China Tianrui Group Cement Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Tianrui Group Cement Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 167, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment of a subsidiary	
We identified impairment assessment of property, plant and equipment held by a subsidiary located in Northeast China as a key audit matter due to the significance of the balance of these assets and the significant degree of estimates made by management in the impairment review as disclosed in Note 4 to the consolidated financial statements. As disclosed in Note 17 to the consolidated financial statements, the Group recognised an impairment loss of RMB58,251,000 on these assets in prior years and no further impairment loss or reversal of impairment loss was recognised in the current year. The aggregate net carrying amount of these assets for the year ended 31 December 2019 is RMB323,976,000. Management's impairment assessment on these assets requires an estimation of the recoverable amount of the cash-generating units to which these assets belongs.	Our procedures in relation to impairment assessment of property, plant and equipment of a subsidiary included: • understanding the internal controls relevant to the impairment assessment of property, plant and equipment; • evaluating the valuation methodologies and the key assumption of the discount rate, with the assistance of our internal valuation specialists; and • comparing cement price used in the valuation to industry forecasts and comparing the sales volume growth rate and gross profit ratio to historical performance of the relevant group entities..

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tung Wai Lung Ricky.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
9 April 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	5, 6	**12,087,532**	10,060,647
Cost of sales		**(7,580,162)**	(6,787,159)
Gross profit		**4,507,370**	3,273,488
Other income	7	**580,485**	549,104
Impairment losses under expected credit loss model, net of reversal	8	**(7,049)**	(6,026)
Gain from changes in fair value of financial assets at fair value through profit or loss		**18,458**	6,132
Other gains and losses	9	**(137,545)**	(81,666)
Distribution and selling expenses		**(379,833)**	(341,427)
Administrative expenses		**(504,333)**	(434,794)
Other expenses		**(83,835)**	(105,857)
Share of results of associates		**(168,003)**	5,624
Finance costs	10	**(1,158,044)**	(1,122,006)
Profit before tax		**2,667,671**	1,742,572
Income tax expense	11	**(733,166)**	(490,762)
Profit and total comprehensive income for the year	12	**1,934,505**	1,251,810
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**1,819,423**	1,212,547
Non-controlling interests		**115,082**	39,263
		1,934,505	1,251,810

	Notes	2019 RMB	2018 RMB
Earnings per share			
Basic and diluted	15	**0.62**	0.41

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**11,112,916**	11,295,763
Long-term deposits	18	**2,422,257**	2,410,281
Right-of-use assets	19	**901,264**	—
Prepaid lease payments	20	**—**	849,343
Mining rights	21	**830,943**	590,251
Goodwill	22	**294,014**	307,642
Other intangible assets	23	**—**	4,179
Interests in associates	24	**513,560**	268,043
Derivative financial instruments	26	**49,427**	7,588
Deferred tax assets	42	**175,840**	171,090
Pledged bank balances	31	**103,779**	87,147
Amounts due from an associate	29	**330,000**	261,702
Other prepayments	27	**861,980**	—
		17,595,980	16,253,029
CURRENT ASSETS			
Inventories	25	**1,061,302**	874,873
Trade and other receivables	27	**7,305,611**	4,423,920
Amounts due from associates	29	**707,288**	944,911
Financial assets at fair value through profit or loss	30	**20,321**	43,702
Restricted bank balances	35	**—**	2,000,000
Pledged bank balances	31	**3,804,969**	3,301,474
Cash, deposits and bank balances	32	**1,828,833**	711,797
		14,728,324	12,300,677
CURRENT LIABILITIES			
Trade and other payables	33	**4,499,829**	3,684,388
Contract liabilities	34	**371,604**	462,096
Lease liabilities due within one year	41	**15,036**	—
Other financial liability	35	**—**	2,000,000
Loan from an associate due within one year	36	**800,000**	900,000
Borrowings due within one year	37	**5,788,178**	4,847,606
Long-term corporate bonds due within one year	40	**114,263**	106,056
Current tax liabilities		**754,378**	552,872
Financial guarantee contracts	38	**14,906**	18,643
		12,358,194	12,571,661
NET CURRENT ASSETS/(LIABILITIES)		**2,370,130**	(270,984)
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,966,110**	15,982,045

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CAPITAL AND RESERVES			
Share capital	45	**24,183**	24,183
Share premium and reserves		**12,815,380**	10,993,491
Equity attributable to owners of the Company		**12,839,563**	11,017,674
Non-controlling interests	56	**136,028**	61,446
TOTAL EQUITY		**12,975,591**	11,079,120
NON-CURRENT LIABILITIES			
Loan from an associate due after one year	36	**150,000**	100,000
Borrowings due after one year	37	**2,497,004**	2,318,866
Guaranteed notes	39	**934,566**	—
Long-term corporate bonds	40	**2,031,101**	2,121,943
Lease liabilities due after one year	41	**25,554**	—
Other financial liability	35	**1,004,445**	—
Deferred tax liabilities	42	**175,207**	183,256
Deferred income	43	**148,963**	157,548
Provision for environmental restoration	44	**23,679**	21,312
		6,990,519	4,902,925
		19,966,110	15,982,045

The consolidated financial statements on pages 63 to 167 were approved and authorised for issue by the board of directors on 9 April 2020 and are signed on its behalf by:

Xu Wuxue
DIRECTOR

Li Jiangming
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note (i))	Statutory reserves 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 2018	24,183	1,066,648	789,990	905,211	1,033,949	31,768	5,954,138	9,805,887	114,321	9,920,208
Profit and total comprehensive income for the year	—	—	—	—	—	—	1,212,547	1,212,547	39,263	1,251,810
Statutory fund appropriation	—	—	—	167,466	—	—	(167,466)	—	—	—
Financial guarantee provided to related parties (Note 38)	—	—	—	—	(760)	—	—	(760)	—	(760)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	(92,138)	(92,138)
At 31 December 2018 and 1 January 2019	**24,183**	**1,066,648**	**789,990**	**1,072,677**	**1,033,189**	**31,768**	**6,999,219**	**11,017,674**	**61,446**	**11,079,120**
Profit and total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**1,819,423**	**1,819,423**	**115,082**	**1,934,505**
Statutory fund appropriation	**—**	**—**	**—**	**220,631**	**—**	**—**	**(220,631)**	**—**	**—**	**—**
Safety fund appropriation	**—**	**—**	**—**	**—**	**2,466**	**—**	**—**	**2,466**	**—**	**2,466**
Dividend paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(40,500)**	**(40,500)**
At 31 December 2019	**24,183**	**1,066,648**	**789,990**	**1,293,308**	**1,035,655**	**31,768**	**8,598,011**	**12,839,563**	**136,028**	**12,975,591**

Notes:

(i) Capital reserve represents the excess of capital injection over the registered capital of Tianrui Group Cement Company Limited ("Tianrui Cement"), a subsidiary of the Group, upon a group reorganisation in prior years.

(ii) The amount mainly represented statutory reserve fund. According to the relevant laws in the People's Republic of China (the "PRC"), each of the subsidiaries established in the PRC is required to allocate a portion of its profit after tax 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 comprise the following:

(1) Reserve arising from the group reorganisation in 2011: 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, 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 ordinary shares of the Company (the "Shares") were allotted and issued to Yu Kuo Company Limited. As part of the group reorganisation, Yu Kuo Company Limited applied a bridging loan in the net amount of US$87,433,333 (equal to approximately RMB565,516,000) to pay up the Shares. The amount of US$87,433,333 in excess of the par value of 474,526 shares was recognised in the share premium account, and the resulting difference between the paid-in capital of Tianrui Cement amounting to RMB1,397,135,000 after deducting the nominal value of the Shares issued to Yu Kuo Company Limited and the share premium amounting to RMB831,615,000 was recognised in other reserves;

(2) Deemed contribution from Tianrui Group Company Limited ("Tianrui Group") of RMB229,240,000 recognised in 2015;

(3) Fair value of financial guarantee contracts at initial recognition provided to Tianrui Group and its subsidiaries debited to other reserves totaling RMB44,572,000 up to 31 December 2019 (2018: RMB44,572,000);

(4) The difference between the consideration of the acquisitions of non-controlling interests and the carrying amounts of non-controlling interests and relevant reserves totaling RMB16,906,000 credited to other reserves up to 31 December 2019 (2018: RMB16,906,000); and

(5) Safety fund appropriation of RMB2,466,000 (2018: Nil).

(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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Cash flows from operating activities:		
Profit before tax	**2,667,671**	1,742,572
Adjustments for:		
Release of deferred income	**(8,585)**	(8,584)
Interest income	**(68,284)**	(85,538)
Share of results of associates	**168,003**	(5,624)
Gain from changes in fair value of financial assets at fair value through profit or loss	**(18,458)**	(6,132)
Depreciation of property, plant and equipment	**957,698**	917,742
Amortisation of right-of-use assets	**37,622**	—
Finance costs recognised in profit or loss	**1,158,044**	1,122,006
Foreign exchange loss, net	**39,346**	64,136
Release of financial guarantee liability	**(3,737)**	(5,377)
Amortisation of prepaid lease payments	**—**	22,973
Impairment losses under expected credit loss model, net of reversal	**7,049**	6,026
Amortisation of mining rights	**46,526**	38,594
Amortisation of other intangible assets	**—**	810
Loss on disposal of property, plant and equipment, net	**40,468**	11,527
Provision for environmental restoration	**6,767**	2,550
Impairment loss of goodwill	**13,628**	—
Impairment loss of property, plant and equipment	**37,877**	—
Operating cash flows before movements in working capital	**5,081,635**	3,817,681
Movements in working capital:		
(Increase)/decrease in inventories	**(186,429)**	74,390
Increase in trade and other receivables	**(3,635,041)**	(865,994)
Decrease in amounts due from an associate	**169,325**	64,290
Increase in trade and other payables	**981,650**	952,459
(Decrease)/increase in contract liabilities	**(90,492)**	146,249
Increase in discounted bills with recourse	**746,545**	258,666
Utilisation of provision for environmental restoration	**(4,400)**	(231)
Cash generated from operations	**3,062,793**	4,447,510
Income tax paid	**(544,459)**	(343,515)
Net cash from operating activities	**2,518,334**	4,103,995

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Cash flows from investing activities:		
Interest received	**88,970**	149,855
Payments for property, plant and equipment	**(768,061)**	(629,140)
Payments for right-of-use assets	**(6,691)**	—
Payments for mining rights	**(287,218)**	—
Proceeds from disposal of property, plant and equipment	**104,433**	38,111
Deposits paid for acquisition of businesses	**(685,871)**	(1,370,000)
Refund of deposits paid for acquisition of businesses	**—**	310,000
Payments for purchase of financial assets at fair value through profit or loss	**—**	(42,432)
Compensation from the ultimate holding company (Note 26)	**—**	1,212,344
Decrease/(increase) in restricted bank deposits	**2,000,000**	(2,000,000)
Placement of pledged bank deposits	**(9,154,901)**	(4,254,089)
Withdrawal of pledged bank deposits	**8,634,774**	4,265,901
Net cash used in investing activities	**(74,565)**	(2,319,450)
Cash flows from financing activities:		
Interest paid	**(223,903)**	(235,838)
Dividends paid	**(67,547)**	(65,091)
New borrowings raised	**5,405,523**	6,407,001
Repayment of borrowings	**(5,775,383)**	(6,719,890)
Repayment of lease liabilities	**(18,501)**	—
Advance of loan from an associate	**950,000**	1,450,000
Repayment of loan from an associate	**(1,031,128)**	(475,422)
Receipt of capital injection fund (Note 35)	**—**	2,000,000
Refund of capital injection fund (Note 35)	**(1,095,000)**	—
Interest repayment of capital injection fund	**(38,717)**	—
Issuance of guaranteed notes (Note 39)	**934,566**	—
Repayment of mid-term debentures	**—**	(2,477,957)
Repayment of long-term corporate bonds	**(366,643)**	(1,141,384)
Net cash used in financing activities	**(1,326,733)**	(1,258,581)
Net increase in cash and cash equivalents	**1,117,036**	525,964
Cash and cash equivalents at beginning of year	**711,797**	830,744
Cash and cash equivalents at end of year, represented by cash, deposits and bank balances	**1,828,833**	1,356,708

1. GENERAL INFORMATION

China Tianrui Group Cement Company Limited (the "Company") was 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 are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is Cricket Square, Hutchins Drive PO 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 Province, the PRC.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are manufacture and sale of cement, clinker and limestone aggregate (See Note 56). Its immediate holding company is Yu Kuo Company Limited and its ultimate parent is Tianrui Group Company Limited ("Tianrui Group"), which is controlled by Mr. Li Liufa and Ms. Li Fengluan, a non-executive director and an executive director of the Company, respectively.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

2.1 New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 16	*Leases*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to IFRSs	*Annual Improvements to IFRSs 2015–2017 Cycle*

Except as described below, the application of the new and 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.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

2.1 New and amendments to IFRSs that are mandatorily effective for the current year (Cont'd)

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

2.1 New and amendments to IFRSs that are mandatorily effective for the current year (Cont'd)

IFRS 16 Leases (Cont'd)

As a lessee (Cont'd)

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of machinery and equipment in the PRC was determined on a portfolio basis; and
- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 4.3% to 8%.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

2.1 New and amendments to IFRSs that are mandatorily effective for the current year (Cont'd)

IFRS 16 Leases (Cont'd)

As a lessee (Cont'd)

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	54,928
Lease liabilities discounted at relevant incremental borrowing rates	51,195
Less: Recognition exemption — short-term leases	(1,753)
Lease liabilities relating to operating leases recognised upon application of IFRS 16 and at 1 January 2019	49,442
Analysed as	
Current	14,562
Non-current	34,880
	49,442

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

2.1 New and amendments to IFRSs that are mandatorily effective for the current year (Cont'd)

IFRS 16 Leases (Cont'd)

As a lessee (Cont'd)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	**Right-of use assets** RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		49,442
Reclassified from other intangible assets	(a)	4,179
Reclassified from prepaid lease payments under non-current assets	(a)	849,343
Reclassified from prepaid lease payments under current assets	(a)	22,975
		925,939

Note:

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB22,975,000 and RMB849,343,000 respectively, and other intangible assets which represent operating lease contracts amounting to RMB4,179,000, were reclassified to right-of-use assets.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

2.1 New and amendments to IFRSs that are mandatorily effective for the current year (Cont'd)

IFRS 16 Leases (Cont'd)

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included. There is no impact on the opening retained earnings upon the application of IFRS 16.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
Non-current assets			
Prepaid lease payments	849,343	(849,343)	—
Other intangible assets	4,179	(4,179)	—
Right-of-use assets	—	925,939	925,939
Current assets			
Trade and other receivables	4,423,920	(22,975)	4,400,945
Current liabilities			
Lease liabilities	—	14,562	14,562
Non-current liabilities			
Lease liabilities	—	34,880	34,880

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

2.2 New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 3	*Definition of a Business*[2]
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 1	*Classification of Liabilities as Current or Non-current*[5]
Amendments to IAS 1 and IAS 8	*Definition of Material*[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
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 2020.
5 Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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 IFRS 16 (since 1 January 2019) or IAS 17 *Leases* (before application of IFRS 16), 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*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The principal 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.

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, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combinations

Acquisitions of businesses other than business combination under common control 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, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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 amount of the identifiable assets acquired and the liabilities assumed as at the acquisition date. 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 relevant subsidiary'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.

3. 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 group of cash-generating units) that is expected to benefit from the synergies of the combination. Which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) 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 (or group of cash-generating units) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

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 associates 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. Change in net assets of the associates other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment in associates (Cont'd)

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.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* 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, 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 from contracts with customers

The Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue from contracts with customers (Cont'd)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises, machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2) (Cont'd)

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2) (Cont'd)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2) (Cont'd)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessee (prior to 1 January 2019)

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.

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 lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

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.

Effective 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

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 the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in 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.

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

Property, plant and equipment are tangible assets that are 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. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 it is probable that its future economic benefits associated with such costs will flow to the Group. 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.

Intangible assets

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

The recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In addition, the Group assesses whether there is indication that corporate assets may be impaired. If indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measureable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

When 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 immediately in profit or loss.

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 all estimated costs of completion and costs necessary to make the sale.

3. 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, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the 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 of the time value of the money is material).

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 except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (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 financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- 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
- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Classification and subsequent measurement of financial assets (Cont'd)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessments under expected credit loss ("ECL") model on financial assets (including trade and other receivables, other advances, bills receivables, amounts due from associates, deposits and bank balances) and other items including financial guarantee contracts which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Cont'd)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Cont'd)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Cont'd)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial assets measured at amortised cost by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Derecognition of financial assets

The Group 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 entity.

On derecognition of a financial asset measured at amortised cost, 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

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, other financial liability, loan from an associate, guaranteed notes, long-term corporate bonds and borrowings are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

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 payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group'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.

Non-substantial modifications of financial liabilities

The exchange or modification of terms of a financial liability is considered as non-substantial modification when the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is less than 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Derivative financial instruments

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.

Option or forward contracts to buy an investee or an acquiree that will result in a business combination within the scope of IFRS 3 *Business Combinations* at a future acquisition date are accounted for as derivative financial instruments within the scope of IFRS 9, except for the term of the forward contract for acquisition of business that is within a reasonable period normally necessary to obtain any required approvals and to complete the transaction.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, 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.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires a significant degree of estimates made by the management in determining 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 recoverable amount has been determined by a value in use calculation of the relevant cash-generating units, to which goodwill has been allocated, primarily based on the cash flow projections and a discount rate. The key assumptions and inputs used in cash flow projections including cement price, gross profit ratio, volume of sales and growth rate, and discount rate. The value in use 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 2019, the carrying amount of goodwill is RMB294,014,000 (2018: RMB307,642,000). During the year, impairment loss of RMB13,628,000 (2018: Nil) in relation to goodwill arose from the acquisition of a subsidiary in prior years was recognised. Details are disclosed in Note 22.

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

Estimated impairment of property, plant and equipment

Property, plant and equipment are stated at costs less accumulated depreciation and impairment, if any. The management of the Group reviews 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 or the event previously causing the impairment no longer exists, the management requires an estimation of recoverable amount of an individual asset or the cash-generating units to which the asset belongs, and has to exercise judgement and make significant degree of estimation in determining the recoverable amount of the assets, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset's value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, 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, the 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 cement price, sales volume growth rate, gross profit ratio or discount rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

In prior years, impairment loss of RMB58,251,000 for property, plant and equipment in respect of a subsidiary of the Company located in Northeast China was made. Further details are set out in Note 17. In determining whether there is indication that the above property, plant and equipment has suffered a further impairment loss or the event previously causing the impairment no longer exists in the current year, the management of the Group has to exercise judgement and make estimation, in particular, cement price, sales volume growth rate, gross profit ratio and discount rate.

As at 31 December 2019, the carrying amount of the Group's property, plant and equipment is RMB11,112,916,000 (2018: RMB11,295,763,000). During the year, impairment loss of RMB37,877,000 (2018: Nil) was made on certain property, plant and equipment relating to specific assets where utilisation is no longer required due to ceased operations of production facilities during the current year.

Details of the impairment of property, plant and equipment are disclosed in Note 17.

5. REVENUE

Disaggregation of revenue from contracts with customers:

	2019 **RMB'000**	2018 RMB'000
Sales of cement	**11,158,974**	9,100,016
Sales of clinker	**677,371**	813,292
Sales of limestone aggregate	**251,187**	147,339
	12,087,532	10,060,647
Timing of revenue recognition:		
A point in time	**12,087,532**	10,060,647

The Group sells cement, clinker and limestone aggregate directly to external customers and revenue is recognised when control of goods has transferred to the customers, being when the goods have been delivered to the customers for the current year. The normal credit term is 180 days upon delivery.

The Group receives deposits from certain customers when they sign the sale and purchase agreements. Such advance payments are recorded as contract liabilities and being recognised when the control of the goods is transferred to the customer.

6. SEGMENT INFORMATION

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

The Group's chief operating decision maker 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 Year ended 31 December		**Segment profit Year ended 31 December**	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Central China	**9,299,301**	7,684,622	**2,521,563**	1,732,865
Northeast China	**2,788,231**	2,376,025	**292,118**	160,595
Total	**12,087,532**	10,060,647	**2,813,681**	1,893,460
Unallocated corporate administrative expenses			**(125,139)**	(92,884)
Unallocated other gains and losses, net			**(39,329)**	(64,136)
Gain from changes in fair value of financial assets at FVTPL			**18,458**	6,132
Profit before tax			**2,667,671**	1,742,572

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit before tax without allocation of certain corporate administrative expenses including directors' emoluments, certain other gains and losses and gain from changes in fair value of financial assets at FVTPL.

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

6. SEGMENT INFORMATION (Cont'd)

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

	2019 RMB'000	2018 RMB'000
SEGMENT ASSETS		
Central China	**26,238,086**	22,272,869
Northeast China	**5,214,082**	5,698,918
Total segment assets	**31,452,168**	27,971,787
Interests in associates	**513,560**	268,043
Financial assets at FVTPL	**20,321**	43,702
Derivative financial instruments	**49,427**	7,588
Deferred tax assets	**175,840**	171,090
Unallocated other receivables	**33,464**	20,197
Unallocated cash and bank balances	**79,524**	71,299
Total assets	**32,324,304**	28,553,706
SEGMENT LIABILITIES		
Central China	**15,250,120**	12,381,332
Northeast China	**3,130,956**	4,321,860
Total segment liabilities	**18,381,076**	16,703,192
Deferred tax liabilities	**175,207**	183,256
Current tax liabilities	**754,378**	552,872
Unallocated other payables	**38,052**	35,266
Total liabilities	**19,348,713**	17,474,586

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 instruments, financial assets at FVTPL, interests in associates, deferred tax assets, certain unallocated other receivables and cash and bank balances; and

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

6. SEGMENT INFORMATION (Cont'd)

Other segment information

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

For the year ended 31 December 2019

	Central China RMB'000	Northeast China RMB'000	Total RMB'000
Additions to property, plant and equipment	**867,846**	**89,783**	**957,629**
Additions to right-of-use assets	**12,947**	**—**	**12,947**
Additions of mining right	**286,220**	**998**	**287,218**
Impairment of goodwill	**—**	**13,628**	**13,628**
Impairment of property, plant and equipment	**—**	**37,877**	**37,877**
Finance costs	**964,523**	**193,521**	**1,158,044**
Provision for environmental restoration	**4,973**	**1,794**	**6,767**
Depreciation and amortisation before capitalisation	**713,202**	**328,644**	**1,041,846**
Impairment loss/(reversal of impairment loss) under expected credit loss model, net	**(4,136)**	**11,185**	**7,049**
Loss on disposal of property, plant and equipment, net	**15,813**	**24,655**	**40,468**
Value-added tax refund	**(352,785)**	**(52,968)**	**(405,753)**
Incentive subsidies	**(14,724)**	**(4,207)**	**(18,931)**
Interest income on bank deposits	**(62,860)**	**(5,424)**	**(68,284)**

For the year ended 31 December 2018

	Central China RMB'000	Northeast China RMB'000	Total RMB'000
Additions to property, plant and equipment	278,429	25,419	303,848
Finance costs	842,327	279,679	1,122,006
Provision for environmental restoration	2,180	370	2,550
Depreciation and amortisation before capitalisation	662,816	317,303	980,119
Impairment loss/(reversal of impairment loss) under expected credit loss model, net	7,281	(1,255)	6,026
Loss/(gain) on disposal of property, plant and equipment, net	14,342	(2,815)	11,527
Value-added tax refund	(335,445)	(47,269)	(382,714)
Incentive subsidies	(3,210)	(9,668)	(12,878)
Interest income on bank deposits	(79,202)	(6,336)	(85,538)

6. SEGMENT INFORMATION (Cont'd)

Other segment information (Cont'd)

Revenue from major products has been disclosed in Note 5. 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 years ended 31 December 2019 and 2018.

7. OTHER INCOME

	2019 RMB'000	2018 RMB'000
Value-added tax refund (Note (i))	**405,753**	382,714
Incentive subsidies (Note (ii))	**18,931**	12,878
Interest income on bank deposits	**68,284**	85,538
Rental income	**38,476**	3,580
Release of deferred income (Note 43)	**8,585**	8,584
Release of financial guarantee liability	**3,737**	5,377
Income from sundry operations (Note (iii))	**31,441**	47,745
Software service income (Note (iv))	**4,779**	2,416
Others	**499**	272
	580,485	549,104

Notes:

(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 and recognised upon receipt. There are no unfulfilled conditions or contingencies relating to these subsidies.

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

(iv) Software service income is generated from provision of software development.

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2019 RMB'000	2018 RMB'000
Impairment losses/(reversal of impairment losses) recognised on:		
Trade receivables — goods and services	**11,478**	1,612
Other receivables	**(4,429)**	4,414
	7,049	6,026

Details of impairment assessment are set out in Note 52.

9. OTHER GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000
Foreign exchange loss, net	**39,346**	64,136
Impairment loss on goodwill	**13,628**	—
Impairment loss on property, plant and equipment	**37,877**	—
Loss on disposal of property, plant and equipment, net	**40,468**	11,527
Others	**6,226**	6,003
	137,545	81,666

10. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on:		
Bank and other borrowings	**598,256**	540,353
Lease liabilities	**3,393**	—
Bills discounted with recourse*	**195,930**	161,207
Mid-term debentures	—	108,129
Guaranteed notes	**55,550**	—
Long-term corporate bonds	**282,314**	295,077
Loan from an associate	**31,128**	25,422
	1,166,571	1,130,188
Less: amounts capitalised in the cost of qualifying assets	**(8,527)**	(8,182)
	1,158,044	1,122,006

* Interest on bills discounted with recourse includes interest on discounted bills issued among subsidiaries of the Group for intra-group transactions of RMB9,737,000 (2018: RMB48,264,000).

The borrowing costs on general borrowing pool capitalised are calculated by applying capitalisation rate of 7.15% per annum for the year ended 31 December 2019 (2018: 5.87% per annum).

11. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**745,122**	487,078
Underprovision/(overprovision) in prior years:		
EIT	**843**	(8,821)
Deferred tax (Note 42)	**(12,799)**	12,505
	733,166	490,762

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 PRC law 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% (2018: 25%).

The tax charge for the year can be reconciled to profit before tax per consolidated statement of profit or loss and other comprehensive income as follows.

	2019 RMB'000	2018 RMB'000
Profit before tax	**2,667,671**	1,742,572
Tax at the applicable rate of 25% (2018: 25%)	**666,918**	435,643
Tax effect of share of results of associates	**42,001**	(1,406)
Tax effect of income not taxable for tax purpose	**(10,460)**	(1,216)
Tax effect of expenses that are not deductible	**27,240**	44,291
Tax effect of tax losses not recognised	**10,283**	20,761
Income tax at concessionary rate	**(1,854)**	(254)
Tax effect of deductible temporary differences not recognised	**9,988**	1,583
Underprovision/(overprovision) in prior years	**843**	(8,821)
Utilisation of tax losses previously not recognised	**(12,221)**	(580)
Others	**428**	761
Income tax expense for the year	**733,166**	490,762

12. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

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

	2019 RMB'000	2018 RMB'000
Depreciation of property, plant and equipment	**957,698**	917,742
Amortisation of right-of-use assets	**37,622**	—
Amortisation of prepaid land payments	**—**	22,973
Amortisation of mining rights, included in cost of sales	**46,526**	38,594
Amortisation of other intangible assets, included in cost of sales	**—**	810
Total depreciation and amortisation	**1,041,846**	980,119
Less: Amounts capitalised to inventories	**(730,426)**	(632,673)
Amounts included in other expenses (note)	**(43,625)**	(57,135)
	267,795	290,311
Cost of inventories recognised as an expense	**7,580,162**	6,787,159
Employee benefits expense (including contributions to retirement benefit scheme, and directors' emoluments)	**500,265**	457,831
Less: Amounts capitalised to inventories	**(194,564)**	(180,961)
	305,701	276,870
Auditor's remuneration	**2,700**	2,700
Research and development costs recognised as an expense (included in other expenses)	**74,683**	22,717

Note:

Depreciation and amortisation amounting to RMB43,625,000 (2018: RMB57,135,000) 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.

13. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

The emoluments paid or payable to each of the directors of the Company were as follows:

	2019				2018			
	Fee RMB'000	Salaries and other allowances RMB'000	Contributions to retirement benefit schemes RMB'000	Total emoluments RMB'000	Fee RMB'000	Salaries and other allowances RMB'000	Contributions to retirement benefit schemes RMB'000	Total emoluments RMB'000
Executive directors								
Mr. Xu Wuxue	—	432	7	439	—	402	6	408
Mr. Li Jiangming	—	537	7	544	—	421	6	427
Mr. Ding Jifeng	—	552	—	552	—	451	11	462
Ms. Li Fengluan	—	455	—	455	—	454	—	454
	—	1,976	14	1,990	—	1,728	23	1,751
Non-executive directors								
Mr. Li Liufa	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
Independent non-executive directors								
Mr. Kong Xiangzhong	200	—	—	200	200	—	—	200
Mr. Wang Ping	215	—	—	215	210	—	—	210
Mr. Du Xiao Tang	215	—	—	215	210	—	—	210
	630	—	—	630	620	—	—	620
Total	630	1,976	14	2,620	620	1,728	23	2,371

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

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

The chief executive officer of the Company is not appointed. In the meantime, the board of directors of the Company established an executive committee, which composed of two executive directors and top management members of the Group whose emoluments has been disclosed in Note 50.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2019 and 2018.

14. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals included three (2018: four) directors (details of whose emoluments are set out in Note 13 above), the emoluments of the remaining two (2018: one) highest paid individuals for the year were as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries and other allowances	**840**	420
Performance related incentive payments	**116**	31
Retirement benefit schemes contributions	**7**	6
	963	457

The emolument of each of the above employees in both years is below HK$1,000,000 (equivalent to approximately RMB895,800).

No emoluments were paid by the Group to the directors of the Company 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.

The performance related incentive payment is determined based on the employee's contribution to the operating results of the Group for each of the years ended 31 December 2019 and 2018.

15. EARNINGS PER SHARE

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

	2019	2018
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to owners of the Company	**1,819,423**	1,212,547

	2019	2018
	'000	'000
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**2,938,282**	2,938,282

Diluted earnings per share is presented as the same as basic earnings per share for both 2019 and 2018 as there were no potential ordinary shares in issue for both 2019 and 2018.

16. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

17. 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 2018	7,862,712	7,938,616	147,001	127,058	1,787,300	315,340	18,178,027
Additions	3,464	57,674	13,239	1,599	1,455	226,417	303,848
Disposals	(22,640)	(94,041)	(42,442)	(659)	—	(56)	(159,838)
Transfer	26,308	25,594	1,491	177	—	(53,570)	—
At 31 December 2018	**7,869,844**	**7,927,843**	**119,289**	**128,175**	**1,788,755**	**488,131**	**18,322,037**
Additions	**38,669**	**91,463**	**27,405**	**4,027**	**3,506**	**792,559**	**957,629**
Disposals	**(99,340)**	**(78,843)**	**(24,221)**	**(5,346)**	—	**(19,543)**	**(227,293)**
Transfer	**213,732**	**128,000**	**54,296**	**2,290**	—	**(398,318)**	—
At 31 December 2019	**8,022,905**	**8,068,463**	**176,769**	**129,146**	**1,792,261**	**862,829**	**19,052,373**
ACCUMULATED DEPRECIATION							
At 1 January 2018	1,685,745	3,826,979	123,690	108,897	415,170	—	6,160,481
Provided for the year	271,672	509,569	14,166	6,954	115,381	—	917,742
Eliminated on disposals	(4,884)	(73,698)	(31,174)	(444)	—	—	(110,200)
At 31 December 2018	**1,952,533**	**4,262,850**	**106,682**	**115,407**	**530,551**	—	**6,968,023**
Provided for the year	**265,319**	**489,021**	**27,431**	**3,655**	**172,272**	—	**957,698**
Eliminated on disposals	**(12,418)**	**(43,376)**	**(21,532)**	**(5,066)**	—	—	**(82,392)**
At 31 December 2019	**2,205,434**	**4,708,495**	**112,581**	**113,996**	**702,823**	—	**7,843,329**
ACCUMULATED IMPAIRMENT							
At 1 January 2018 and 31 December 2018	—	58,251	—	—	—	—	58,251
Provided for the year	26,851	11,026	—	—	—	—	37,877
At 31 December 2019	**26,851**	**69,277**	—	—	—	—	**96,128**
NET CARRYING AMOUNTS							
At 31 December 2018	5,917,311	3,606,742	12,607	12,768	1,258,204	488,131	11,295,763
At 31 December 2019	**5,790,620**	**3,290,691**	**64,188**	**15,150**	**1,089,438**	**862,829**	**11,112,916**

17. 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 to 30 years
Plant and machinery	5 to 15 years
Motor vehicles	5 to 10 years
Office equipment	5 years

Stripping costs are depreciated on a straight-line basis over their estimated useful lives ranged from 10 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 mines. 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.

Impairment assessment

During the year, impairment of RMB37,877,000 was made on certain property, plant and equipment relating to specific assets where utilisation is no longer required due to ceased operations of production facilities during the current year. The recoverable amounts of such property, plant and equipment were considered minimal and full impairment has been made.

In prior years, in view of the continuous losses of a subsidiary of the Company located in Northeast China for more than two consecutive years, and there was indication that its property, plant and equipment with an aggregate carrying value of RMB414,612,000 may suffer an impairment loss, the management of the Group had conducted impairment testing. As a result of the impairment testing, the management of the Group considers that there is an impairment of RMB58,251,000 for property, plant and equipment in respect of that subsidiary. The recoverable amount of the cash-generating unit to which such property, plant and equipment belongs has been determined based on a value in use calculation. The aggregate carrying amount of such property, plant and equipment as at 31 December 2019 is RMB323,976,000 (2018: RMB337,271,000). Based on management's assessment, there is no indication that those assets have suffered a further impairment loss or the event previously causing the impairment no longer exists in the current year.

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 46.

The carrying amounts of buildings, which the application to obtain the ownership certificates is still in process, are approximately RMB576,035,000 as at 31 December 2019 (2018: RMB602,376,000).

18. LONG-TERM DEPOSITS

	2019 RMB'000	2018 RMB'000
Deposits paid for acquiring property, plant and equipment, and land use rights	**239,906**	400,281
Deposits and advances paid for acquisition of businesses (Note)	**2,182,351**	2,010,000
	2,422,257	2,410,281

Note:

These deposits and advances relate to the acquisition of certain businesses which are expected to be completed in the coming few years. The balances mainly included:

(i) deposits of RMB685,871,000 (2018: Nil) paid for the acquisition of the 49% interests of an entity engaged in the production of cement and clinker in the PRC. The acquisition is expected to be completed in the coming year;

(ii) deposits of RMB390,000,000 (2018: RMB390,000,000) paid for the proposed acquisition of the controlling interests in a transportation company in the PRC. The proposed acquisition is expected to be completed in the coming year;

(iii) deposits of RMB116,480,000 (2018: RMB530,000,000) paid for the proposed acquisition of the remaining 60% interest in an associate which is engaged in the manufacturing and sale of clinker in the PRC. During the year, as agreed between the Group and the remaining shareholder of that associate, part of the deposits paid of RMB413,520,000 were reclassified as an additional investment in that associate (Note 24); and

(iv) deposits of RMB990,000,000 (2018: RMB990,000,000) paid for the proposed acquisitions of the entire equity interests of two cement production companies operates in the PRC. During the year, the proposed acquisitions were suspended and the deposits paid were refunded to the Group subsequently.

19. RIGHT-OF-USE ASSETS

	Land use rights RMB'000	Leased properties RMB'000	Total RMB'000
At 31 December 2018	—	—	—
Adjustment upon application of IFRS 16 (Note 2)	909,507	16,432	925,939
As at 1 January 2019 (as restated)	**909,507**	**16,432**	**925,939**
Additions	**7,382**	**5,565**	**12,947**
Released to profit or loss	**(32,877)**	**(4,745)**	**(37,622)**
As at 31 December 2019	**884,012**	**17,252**	**901,264**

Land use rights are amortised over the lease term of the respective leases. The remaining lease periods range from approximately 9 to 43 years. The carrying amounts of land use rights, of which certificates have yet to obtain amounted to approximately RMB33,824,000 as at 31 December 2019.

Leased properties including leased buildings and office premises are amortised over the lease term of the respective leases, of which are all fixed payment. The remaining lease periods range from approximately 1 to 25 years.

During the year, expense relating to short-term leases with lease terms end within 12 months of the date of initial application of IFRS 16 amounted to RMB2,433,000. The total cash outflow for leases during the year amounted to RMB27,625,000.

Details of the land use rights pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 46.

20. PREPAID LEASE PAYMENTS

	Land use rights RMB'000
At 1 January 2018	895,291
Released to profit or loss	(22,973)
At 31 December 2018	872,318
Analysed for reporting purposes as:	
Current asset (included in trade and other receivables)	22,975
Non-current assets	849,343
At 31 December 2018	872,318

Land use rights are amortised over the lease term of the respective leases. The carrying amounts of land use rights, of which certificates have yet to obtain amounted to approximately RMB34,737,000 as at 31 December 2018.

Details of the land use rights pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 46.

21. MINING RIGHTS

	RMB'000
COST	
At 1 January 2018 and 31 December 2018	767,814
Additions	287,218
At 31 December 2019	**1,055,032**
ACCUMULATED AMORTISATION	
At 1 January 2018	138,969
Amortisation during the year	38,594
At 31 December 2018	**177,563**
Amortisation during the year	**46,526**
At 31 December 2019	**224,089**
NET CARRYING AMOUNTS	
At 31 December 2018	590,251
At 31 December 2019	**830,943**

The above mining rights are related to limestone sites located in the PRC and amortised over their respective estimated useful lives. The estimated useful lives of the mining range from 10 to 33 years.

Details of the mining rights pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 46.

22. GOODWILL

	2019 RMB'000	2018 RMB'000
At 1 January	**307,642**	307,642
Impairment	**(13,628)**	—
At 31 December	**294,014**	307,642

For the purposes of impairment testing, goodwill has been allocated to 12 (2018: 12) cash generating units ("CGUs") comprising 14 (2018: 14) subsidiaries.

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

	2019 RMB'000	2018 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 Chengxing Cement Company Limited (遼陽天瑞誠興水泥有限公司) ("Laioyang Tianrui")	**—**	13,628
Liaoyang Tianrui Liaota Cement Company Limited (遼陽天瑞遼塔水泥有限公司), Liaoyang Tianrui Liaodong Cement Company Limited (遼陽天瑞遼東水泥有限公司) and Liaoyang Tianrui Liaota Mining Company Limited (遼陽天瑞遼塔礦業有限公司)	**29,284**	29,284
Xinyang Tianrui Cement Company Limited (信陽天瑞水泥有限公司)	**16,624**	16,624
Shenyang Tiger Cement Company Limited (瀋陽老虎水泥有限公司)	**3,974**	3,974
Haicheng the First Cement Company Limited (海城市第一水泥有限公司)	**29,249**	29,249
Haicheng Tianying Construction Stone Mining Company Limited (海城市天鷹建築石材採掘有限公司)	**5,637**	5,637
Panjin Jinrun Cement Company Limited (盤錦金潤水泥有限公司)	**3,178**	3,178
Henan Yongan Cement Company Limited (河南永安水泥有限責任公司)	**126,293**	126,293
Tianrui Xindeng Zhengzhou Cement Company Limited (天瑞新登鄭州水泥有限公司)	**60,811**	60,811
	294,014	307,642

22. 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 subsidiaries covering the following 5 years with an annual sales price growth rate ranging from 2% to 5% and annual sales volume use zero growth rate, and pre-tax discount rate ranging from 13% to 13.5% as at 31 December 2019 (2018: 12.5% to 14%). The above growth rates are estimated based on the industry growth forecasts and do 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 (2018: zero). Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows in the cash flow projections include cement price, gross profit ratio, volume of sale and growth rate, and discount rate which are determined based on the CGUs' past performance and management expectations for the market development.

Based on the above assessment, the directors of the Company recognised an aggregate impairment loss of RMB13,628,000 (2018: Nil) in relation to goodwill arising from acquisition of Liaoyang Tianrui.

23. OTHER INTANGIBLE ASSETS

	Operating lease contracts RMB'000
COST	
At 1 January 2018 and 31 December 2018	9,353
ACCUMULATED AMORTISATION	
At 1 January 2018	4,364
Amortisation	810
At 31 December 2018	5,174
NET CARRYING AMOUNTS	
At 31 December 2018	4,179

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

24. INTERESTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Cost of investment in associates	**788,520**	375,000
Share of post-acquisition losses and other comprehensive expenses	**(274,960)**	(106,957)
	513,560	268,043

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

Name of company	Place of establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting rights held by the Group 2019 %	2018 %	Principal activities
Pingdingshan Ruiping Shilong Cement Company Limited ("Pingdingshan") 平頂山瑞平石龍水泥有限公司	The PRC	RMB300,000,000	**40**	40	Manufacture and sale of clinker in the PRC
Tianrui Group Finance Company Limited ("Tianrui Finance") 天瑞集團財務有限公司	The PRC	RMB1,000,000,000	**25.5**	25.5	Provision of financing and relevant services in in the PRC

During the year, as agreed between the remaining shareholder of Pingdingshan, which holds 60% equity interest in Pingdingshan, (the "Controlling Shareholder") and the Group, (i) the Controlling Shareholder capitalised its shareholder's loan of RMB1,033,800,000 to Pingdingshan; and (ii) deposits of RMB413,520,000 paid by the Group to the Controlling Shareholder for the proposed acquisition of the remaining 60% equity interest in Pingdingshan from the Controlling Shareholder (Note 18) were treated as additional investments in Pingdingshan, which is on a pro rata basis of the shareholder's loan capitalised by the Controlling Shareholder. Subsequent to the above arrangement, the respective ownership interest of the Controlling Shareholder and the Group in Pingdingshan remains the same. The investment cost in Pingdingshan by the Group is increased by RMB413,520,000 and the pickup of previously unrecognised losses amounted to RMB197,440,000.

Summarised financial information in respect of each of the Group's associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs.

All associates are accounted for using the equity method in these financial statements.

24. INTERESTS IN ASSOCIATES (Cont'd)

Pingdingshan

	2019 RMB'000	2018 RMB'000
Current assets	**1,492,791**	260,552
Non-current assets	**363,215**	427,803
Current liabilities	**(1,257,818)**	(1,181,954)
Net assets/(liabilities)	**598,188**	(493,599)

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Revenue	**610,358**	497,363
Profit and total comprehensive income for the year	**57,987**	3,369

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

	2019 RMB'000	2018 RMB'000
Net assets	**598,188**	N/A
Proportion of the Group's ownership interest in the associate	**40%**	40%
Carrying amount of the Group's interest in the associate	**239,275**	N/A

The Group has discontinued recognition of its share of further losses of the associate upon the limit of its interests in the associate in prior years. The movements of unrecognised share of loss of the associate are as follows:

	2019 RMB'000	2018 RMB'000
Accumulated unrecognised share of loss:		
At 1 January	**(197,440)**	(198,788)
Share of profit during the year	**—**	1,348
Share of previously unrecognised loss in the current year	**197,440**	—
At 31 December	**—**	(197,440)

24. INTERESTS IN ASSOCIATES (Cont'd)

Tianrui Finance

	2019 RMB'000	2018 RMB'000
Current assets	**3,473,171**	1,425,305
Non-current assets	**146,561**	97,508
Current liabilities	**(2,544,105)**	(471,665)
Net assets	**1,075,627**	1,051,148

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Revenue	**83,702**	56,977
Profit and total comprehensive income for the year	**24,479**	22,052

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

	2019 RMB'000	2018 RMB'000
Net assets	**1,075,627**	1,051,148
Proportion of the Group's ownership interest in the associate	**25.5%**	25.5%
Carrying amount of the Group's interest in the associate	**274,285**	268,043

25. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials and consumables	**634,250**	619,065
Work-in-progress	**14,267**	13,972
Finished goods	**412,785**	241,836
	1,061,302	874,873

26. DERIVATIVE FINANCIAL INSTRUMENTS

	RMB'000
Derivative financial assets	
At 1 January 2018	2,726
Gain from changes in fair value	4,862
At 31 December 2018 and 1 January 2019	7,588
Gain from changes in fair value	41,839
At 31 December 2019, at fair value	**49,427**

The Group and Tianrui Group, controlled by Mr. Li Liufa, a non-executive director of the Company, entered into an 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 defined in the Amended Non-competition Deed) 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.

26. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

During the year ended 31 December 2015, Tianrui Group has acquired certain shares of four companies including 15.03% equity interests in 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, 28.16% equity interests in China ShanShui Cement Group Limited ("Shanshui Cement"), a company listed on the Hong Kong Stock Exchange, 55% equity interests in Xindeng Cement and 100% equity interests in Yongan Cement. These companies mainly engage in cement related businesses and hence fulfilled the definition of New Business pursuant to the Amended Non-competition Deed. Accordingly, the Group has the option to acquire these companies at any time during the Restricted Period. The option falls within the scope of IFRS 9 *Financial Instruments* 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 Henan Tongli, Yongan Cement and Xindeng Cement as disclosed below, the Group has not exercised the option to acquire the equity interests in Shanshui Cement up to 31 December 2019.

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 during the year ended 31 December 2015. The changes in fair value of the options totaling RMB451,279,000 was recognised in profit or loss during the year ended 31 December 2017.

In January 2017, the Company acquired 100% equity interests in Yongan Cement and 55% equity interests in Xindeng Cement held by Tianrui Group at a purchase consideration of RMB919,000,000, which is less than the original acquisition consideration incurred by Tianrui Group and settled by allotment and issue of 537,381,647 new ordinary shares of the Company. The acquisition was completed on 7 June 2017 upon the issue of 537,381,647 new ordinary shares at market price of HK$2.28 each of the Company to Tianrui Group to settle the above purchase consideration.

On 9 February 2017, the Board of Directors of the Company consented that Tianrui Group could dispose of total 15.03% equity interests of Henan Tongli, subject to the condition that if the equity interests were disposed of, the related gains from the disposal of the equity interests will be treated as a compensation to the Group. Tianrui Group disposed of 15.03% equity interests in Henan Tongli in 2017 and the related compensation to the Group amounted to RMB1,212,344,000 as at 31 December 2017. On 28 January 2018, Tianrui Group and the Company entered into a settlement agreement in which both parties agreed Tianrui Group to settle the above compensation through payments to a designated bank account of a PRC bank. The bank account is held by a PRC wholly-owned subsidiary of the Company. The actual payments were made on 11 March 2018.

In respect of the option to acquire the equity interests in Shanshui Cement, the fair value as at 31 December 2019 amounted to RMB49,427,000 (2018: RMB7,588,000), with the gain in changes in fair value during the year of RMB41,839,000 (2018: RMB4,862,000). The details for the fair value measurement of the options are detailed in Note 52.3.

27. TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**190,960**	306,718
Less: allowances for credit losses	**(55,703)**	(44,225)
	135,257	262,493
Other receivables	**371,626**	425,569
Less: allowances for credit losses	**(39,451)**	(43,880)
	332,175	381,689
Bills receivables (Note (a))	**3,775,206**	890,674
Bills endorsed to suppliers (Note (a))	**1,895,577**	2,239,954
Prepayments to suppliers (Note (b))	**1,375,082**	533,069
Other advances (Note (c))	**560,000**	—
Value-added tax refund receivables	**—**	25,826
Prepayments for various taxes	**94,294**	67,240
Prepaid lease payments (Note 20)	**—**	22,975
	8,167,591	4,423,920
Less: Prepayment to suppliers classified under non-current assets (Note (b))	**(861,980)**	—
	7,305,611	4,423,920

Notes:

(a) Bills receivables amounted to RMB1,372,056,000 as at 31 December 2019 (2018: RMB788,312,000) were discounted to banks to obtain borrowings of which RMB280,000,000 (2018: RMB470,000,000) relates to bills receivables issued among subsidiaries of the Group for intra-group transactions. (See Notes 28 and 37)

All bills received by the Group are with a maturity period of less than one year.

27. TRADE AND OTHER RECEIVABLES (Cont'd)

Notes: (Cont'd)

(b) The Group has a practice to make advance payments to suppliers to maintain stable supply of raw materials for the production of cement and clinker. In view of the strong demand of cement in recent years and management expects that the trend of increase in both sales volume and price of cement will continue in the coming years, more advances were made to suppliers in the current year. Of which, an aggregate amount of RMB861,980,000 is expected to be utilised after one year. The advances payment made as at 31 December 2018 have been fully utilised during the current year.

(c) Other advances represented short-term advances to customers which are financed by other borrowings. These advances are interest-free and fully repaid subsequent to the end of the reporting period.

The credit term granted to customers is normally 180 days upon delivery of goods. The aged analysis of the Group's trade receivables (net of allowances for credit losses) prepared based on the goods delivery date at the end of each reporting period is as follows:

	2019 **RMB'000**	2018 RMB'000
Within 90 days	**12,150**	181,172
91–180 days	**50,086**	37,554
181–360 days	**46,022**	17,542
1–2 years	**23,068**	23,188
Over 2 years	**3,931**	3,037
Total	**135,257**	262,493

The Group does not hold any collateral over the above balances. The impairment assessment of trade receivables are prepared based on provision matrix. Details of which are set out in Note 52.2.

Details of bills receivables pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 46.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2019 are set out in Note 52.2.

28. TRANSFERS OF FINANCIAL ASSETS

As at 31 December 2019, bills receivables with an aggregate carrying amount of RMB1,092,056,000 (31 December 2018: RMB318,312,000) were transferred to banks by discounting those receivables on a full recourse basis and the carrying amount of the associated liability was RMB1,055,412,000 (31 December 2018: RMB308,867,000). 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 37). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2019, bills receivables with an aggregate carrying amount of RMB1,895,577,000 (31 December 2018: RMB2,239,954,000) 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 and the related payables.

In addition, bills receivables issued among subsidiaries of the Group for intra-group transactions amounting to RMB280,000,000 (31 December 2018: RMB470,000,000) were transferred to banks by discounting those receivables on a full recourse basis to secure bank borrowings amounting to RMB270,263,000 (31 December 2018: RMB450,074,000) (see Note 37) and these bills receivables and the related intra-group payables have been eliminated in the consolidated financial statements.

29. AMOUNTS DUE FROM ASSOCIATES

	2019 RMB'000	2018 RMB'000
Advance payments to Pingdingshan for the purchase of goods (Note (a))	**1,037,288**	561,702
Deposits placed with Tianrui Finance, a non-bank financial institution (Note (b)) (Note 32)	**—**	644,911
	1,037,288	1,206,613
Less: Amounts shown under non-current assets (Note (a))	**(330,000)**	(261,702)
Amounts shown under current assets	**707,288**	944,911

Notes:

(a) The Group has a practice to make advance payments to Pingdingshan to maintain stable supply of cliker for the production of cement. In view of the strong demand of cement in recent years and management expects that the trend of increase in both sales volume and price of cement will continue in the coming years, more advances were made to Pingdingshan in the current year, and advance payments expected to be utilised after one year amounted to RMB330,000,000 (2018: RMB261,702,000) are classified under non-current assets.

(b) The deposits placed with Tianrui Finance were unsecured and bore interest at 1.15% per annum, see Note 32.

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
PRC investment fund, at fair value	**20,321**	43,702

The PRC investment fund is held for trading purpose and the loss from the changes in fair value during the year amounting to RMB23,381,000 (2018: gain of RMB1,270,000).

31. PLEDGED BANK BALANCES

	2019 RMB'000	2018 RMB'000
Bank balances pledged for:		
Bank borrowings granted to the Group	**302,700**	579,886
Trade facilities such as bills payables and bankers' guarantee (Note 46)	**3,502,269**	2,721,588
Restoration of limestone mines (Note 46)	**103,779**	87,147
	3,908,748	3,388,621
Balances classified under current assets	**(3,804,969)**	(3,301,474)
Balances classified under non-current assets	**103,779**	87,147

The pledged bank balances carry market interest rate ranging from 0.35% to 2.1% per annum as at 31 December 2019 (31 December 2018: 0.3% to 2.1% per annum).

32. CASH, DEPOSITS AND BANK BALANCES

	2019 RMB'000	2018 RMB'000
Cash	**894**	1,128
Bank balances placed in banks	**886,143**	710,669
Deposits placed with Tianrui Finance, a non-bank financial institution	**941,796**	—*
	1,828,833	711,797

As at 31 December 2019, bank balances placed in bank carry interest at market rates ranging from 0.35% to 1.5% per annum (31 December 2018: 0.3% and 1.5% per annum).

The deposits placed with Tianrui Finance are unsecured, repayable on demand and carry interest at interest rates ranging from 0.35% and 1.5% per annum as at 31 December 2019.

* Cash and cash equivalents as at 31 December 2018 included deposits placed with Tianrui Finance of RMB644,911,000, which was classified under amounts due from an associate as at 31 December 2018. Tianrui Finance is a non-bank financial institution subject to the supervision of China Banking Regulatory Commission and is authorised to provide a variety of financial services including deposit services.

33. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**954,384**	1,054,681
Bills payables	**2,898,000**	1,904,300
Construction costs payables	**394,139**	364,948
Other advances	**71,985**	110,566
Other tax payables	**61,404**	53,858
Dividend payable to non-controlling interests	**—**	27,047
Other payables and accrued expenses	**119,917**	168,988
	4,499,829	3,684,388

The aged analysis of the Group's trade payables presented from the goods receipt date as at the end of each reporting period is as follows:

	2019 RMB'000	2018 RMB'000
Within 90 days	**548,687**	506,694
91–180 days	**85,089**	161,883
181–365 days	**116,161**	187,038
Over 1 year	**204,447**	199,066
Total	**954,384**	1,054,681

The maturity date of the Group's bills payables is ranging from 1 month to 1 year.

34. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Receipts in advance from customers for the sales of cement	**371,604**	462,096

The revenue recognised during the year ended 31 December 2019 relates to carried-forward contract liabilities in relation to sales of goods as at 1 January 2019 amounted to RMB462,096,000 (2018: RMB315,847,000).

35. RESTRICTED BANK BALANCES/OTHER FINANCIAL LIABILITY

	2019 RMB'000	2018 RMB'000
Liabilities		
Other financial liability	**1,004,445**	2,000,000
Less: Amounts classified under current liabilities	—	(2,000,000)
Amounts due after one year	**1,004,445**	—
Assets		
Restricted bank balances	—	2,000,000

On 29 December 2018, the Group and CCB Financial Asset Investment Co., Ltd ("CCB") entered into capital injection agreements, share repurchase agreements and supplementary agreements (collectively the "Agreements") pursuant to which CCB conditionally agreed to inject capital into five wholly-owned subsidiaries of the Company (the "Target Subsidiaries") with an aggregate investment amount of RMB2,000,000,000. According to the Agreements, the Group is required to repurchase the shares of the Target Subsidiaries held by CCB at the investment amount plus a premium as stipulated in the Agreements. Pursuant to the Agreements, certain amounts of the capital fund injected by CCB are designated to use to settle certain existing borrowings of the Target subsidiaries. In addition, Tianrui Group has also entered into a profit guarantee agreement with CCB to guarantee a minimum yearly return rate of the investment made by CCB.

As at 31 December 2018, the conditions to complete the capital injection into the Target Subsidiaries have not been fulfilled. The amount of RMB2,000,000,000 received from CCB was placed in a bank account of the Group which is restricted as to use before the completion of the capital injection.

During the year ended 31 December 2019, the Group and CCB has agreed to reduce the number of Target Subsidiaries from five to three, and related capital funds of RMB1,095,000,000 have been refunded to CCB. The capital fund injection of the remaining three Target Subsidiaries have been completed during the year.

Despite the Agreements involve a legal form of a capital injection, the Group accounted for the Agreements as borrowings in accordance with the substance of the Agreements. The financial liability is measured at amortised cost in the Group's consolidated financial statements. The financial liability is matured in four years with the effective interest rates ranging from 10.5% to 10.7% per annum.

36. LOAN FROM AN ASSOCIATE

	2019 RMB'000	2018 RMB'000
Loan from Tianrui Finance	**950,000**	1,000,000
Less: Amounts due within one year	**(800,000)**	(900,000)
Amounts due after one year	**150,000**	100,000

The loan from Tianrui Finance is unsecured, bears interest rate ranging from 3.05% to 4.28% (2018: ranging from 3.92% to 4.75%) per annum and repayable by instalments.

37. BORROWINGS

	2019 RMB'000	2018 RMB'000
Bank borrowings:		
Fixed-rate	**3,107,067**	2,887,497
Variable-rate	**595,000**	1,046,186
Other borrowings from non-bank financial institutions:		
Fixed-rate	**3,257,440**	2,473,848
	6,959,507	6,407,531
Bank borrowings relating to bills discounted with recourse (Note)	**1,325,675**	758,941
	8,285,182	7,166,472
Secured	**5,585,946**	4,529,317
Unsecured	**2,699,236**	2,637,155
	8,285,182	7,166,472

37. BORROWINGS (Cont'd)

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	Year ended 31 December	
	2019	2018
Effective interest rate:		
Fixed-rate borrowings	**4.35% to 14.40%**	4.40% to 14.40%
Variable-rate borrowings	**4.57% to 8.00%**	4.80% to 6.90%

The Group's variable-rate borrowings carry interest at Hongkong InterBank Offered Rate ("HIBOR") (2018: HIBOR).

Note: The amounts represented the cash received on bills receivables discounted to various banks with full recourse of which RMB270,263,000 (2018: RMB450,074,000) relates to discounted bills issued among subsidiaries of the Group for intra-group transactions (Note 28). The discounted bills carried fixed interests ranging from 3.7% to 5.4% per annum (2018: 4.2% to 5.3% per annum).

The borrowings are repayable as follows*:

	2019 RMB'000	2018 RMB'000
Within one year	**5,788,178**	4,847,606
More than one year, but not exceeding two years	**804,536**	1,644,904
More than two years, but not exceeding five years	**1,692,468**	673,962
	8,285,182	7,166,472
Less: Amounts due within one year shown under current liabilities	**(5,788,178)**	(4,847,606)
Amounts due after one year	**2,497,004**	2,318,866

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

During the year, the Group discounted bills receivables with recourse in an aggregate amount of RMB1,717,626,000 (2018: RMB398,532,000) to banks for short term financing. As at 31 December 2019, the associated borrowings amounting to RMB1,055,412,000 (2018: RMB308,867,000). The relevant cash flows of these borrowings are presented as operating cash flows in the consolidated statement of cash flows as the management considers that the cash flows are, in substance, the receipts from trade customers.

37. BORROWINGS (Cont'd)

The Group's borrowings that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2019 RMB'000	2018 RMB'000
United State Dollars ("US$")	**209,286**	263,725
Hong Kong Dollars ("HK$")	**746,185**	1,011,180
	955,471	1,274,905

Details of assets pledged to secure bank borrowings are set out in Note 46.

Certain of the borrowings are guaranteed by related parties as set out in Note 50.

38. FINANCIAL GUARANTEE CONTRACTS

	2019 RMB'000	2018 RMB'000
Financial guarantee contracts	**14,906**	18,643

As at 31 December 2019, outstanding financial guarantees in respect of bank facilities provided by the Group to Tianrui Group, and three subsidiaries of Tianrui Group, including Ruzhou Tianrui Coking Company Limited (汝州天瑞煤焦化有限公司) ("Tianrui Coking"), Tianrui Group Travel Company Limited (天瑞旅遊集團股份有限公司) ("Tianrui Travel") and Tianrui Foundry Company Limited (天瑞集團鑄造有限公司) ("Tianrui Foundry"), amounting to RMB108,000,000 (2018: RMB108,000,000), RMB300,000,000 (2018: Nil), RMB810,000,000 (2018: RMB810,000,000) and RMB274,000,000 (2018: RMB270,000,000), respectively, of which utilised and drawn down facilities amounted to RMB90,000,000 (2018: RMB90,000,000), RMB13,010,000 (2018: Nil), RMB590,000,000 (2018: RMB725,000,000) and RMB230,000,000 (2018: RMB230,000,000), respectively. At 31 December 2019, undrawn guaranteed bank facilities amounted to RMB290,990,000 (2018: Nil). The above bank facilities cannot be reused upon repayments of the related loans.

As at 31 December 2019, outstanding financial guarantees in respect of bank facilities included the financial guarantee provided by the Company to the immediate holding company of the Company, Yu Kuo Company Limited amounting to RMB89,578,000 (2018: RMB87,770,000), of which utilised and drawn down facilities amounted to RMB89,578,000 (2018: RMB87,770,000).

During the year ended 31 December 2019, the total fair value for the new financial guarantee contracts is not significant. The total fair value of financial guarantee contracts at initial recognition issued during the year ended 31 December 2018 was RMB760,000, which was calculated using the guarantee fee rate estimated by reference to the probability of default of the debtors and considered as deemed distribution to the immediate holding company and debited to other reserves on the consolidated statement of changes in equity.

39. GUARANTEED NOTES

	2019 RMB'000
Upon issuance	**976,668**
Notes issue expenses	**(42,102)**
	934,566
Interest charged to profit or loss	**55,550**
Interest paid	**(55,550)**
At 31 December 2019	**934,566**

On 28 June 2019, the Group issued guaranteed notes due in 2022 with an aggregate principal amount of US$140,000,000 (approximately RMB976,668,000) with a term of three years and an interest rate of 12% per annum, payable in arrear on each of the six-month period commencing on (and including) the issue date and each successive six-month period. The notes are guaranteed by Yu Kuo Company Limited, the immediate holding company, and Tianrui (International) Holding Company Limited, an intermediate holding company of the Company.

After the occurrence of an Event of Default, which include, inter alia, change of controlling shareholder of the Company, the shares of the Company cease to be listed, the Group does not pay on the due date any amount payable by it under any notes documents, etc., the noteholder holding at least 25% in aggregate principal amount of the Notes then outstanding may by notice to the Group demand all the notes held by the noteholder shall be redeemed by the Group immediately at an aggregate redemption price that is equal to the sum of the 100% of the principal amount of the notes then outstanding, the interest accrued and outstanding, and an amount calculated from the date which amounts were due but not paid to the noteholder at the rate of 17% per annum.

40. LONG-TERM CORPORATE BONDS

	2019 RMB'000	2018 RMB'000
Long-term corporate bonds	**2,145,364**	2,227,999
Less: Amounts due within one year	**(114,263)**	(106,056)
Amounts due after one year	**2,031,101**	2,121,943

Notes:

(i) long-term corporate bonds in an aggregate principal amount of RMB2,000,000,000 issued on 6 February 2013 with a term of eight years and an interest rate of 7.21% per annum. According to the terms and conditions of the bonds, the Group has the option to 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 unredeemed bonds will be subject to the interest rate offered by the Group at the end of the fifth year until the maturity date. On 6 February 2018, the Group exercised its rights to adjust the interest to 8% per annum and no redemption was exercised by the bondholders and the maturity date of these bonds is 6 February 2021.

These bonds were issued through a lead underwriter, Hua Xi Securities Co., Ltd (華西證券有限責任公司) to non-specific buyers. These 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) long-term corporate bonds in an aggregate principal amount of HK$86,500,000 (approximately RMB77,485,000) which including the issuance of first tranche of HK$45,540,000 issued on 2 December 2014, the second tranche of HK$33,460,000 issued on 15 July 2015 and the third tranche of HK$7,500,000 issued on 9 January 2016, with a term of eight years each and an interest rate of 6.50% per annum each. These 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.

(iii) long-term corporate bonds in an aggregate principal amount of RMB1,000,000,000 issued on 29 September 2015 through a lead underwriter, Ping An Securities Company Limited (平安證券有限責任公司), with a term of five years and an interest rate of 5.95% per annum. Up to 31 December 2019, an aggregate principal amount of RMB900,000,000 of the bonds has been redeemed. The maturity date of the remaining bonds, with a carrying value of RMB105,676,000 as at 31 December 2019, is 29 September 2020.

41. LEASE LIABILITIES

	At 31 December 2019 RMB'000
Lease liabilities payable:	
Within one year	**15,036**
Within a period of more than one year but not more than two years	**16,375**
Within a period of more than two years but not more than five years	**5,607**
Within a period of more than five years	**3,572**
	40,590
Less: Amount due for settlement with 12 months shown under current liabilities	**(15,036)**
Amount due for settlement after 12 months shown under non-current liabilities	**25,554**

42. DEFERRED TAXATION

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

	Impairment of assets RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Tax losses RMB'000	Withholding tax RMB'000	Deferred income RMB'000	Others RMB'000 (Note)	Total RMB'000
At 1 January 2018 (restated)	19,489	(65,427)	144,487	(121,234)	13,394	9,630	339
Credited/(charged) to profit or loss during the year	7,513	2,763	(32,538)	—	(2,718)	12,475	(12,505)
At 31 December 2018	**27,002**	**(62,664)**	**111,949**	**(121,234)**	**10,676**	**22,105**	**(12,166)**
Credited/(charged) to profit or loss during the year	**10,888**	**2,794**	**(40,252)**	**—**	**(1,006)**	**40,375**	**12,799**
At 31 December 2019	**37,890**	**(59,870)**	**71,697**	**(121,234)**	**9,670**	**62,480**	**633**

Note:

Others mainly represented deferred tax assets arising from unrealised profits on intra-group transactions, provision for environmental restoration in respect of asset-related government grants.

42. 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:

	2019 RMB'000	2018 RMB'000
Deferred tax assets	**175,840**	171,090
Deferred tax liabilities	**(175,207)**	(183,256)
	633	(12,166)

At 31 December 2019, the Group had unused tax losses of approximately RMB753,997,000 (2018: RMB1,025,737,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB286,789,000 (2018: RMB447,798,000) of such losses.

No deferred tax asset has been recognised in respect of the remaining tax losses of RMB467,208,000 (2018: RMB577,939,000) due to the unpredictability of future profit streams in respective subsidiaries. The unrecognised tax losses will be expired as follows:

	2019 RMB'000	2018 RMB'000
Year		
2019	—	109,078
2020	**94,921**	134,164
2021	**135,801**	139,342
2022	**112,313**	112,313
2023	**83,042**	83,042
2024	**41,131**	—
	467,208	577,939

In addition, the Group had deductible temporary differences in respect of impairment of financial assets and property, plant and equipment of RMB114,977,000 (2018: RMB77,983,000) as at 31 December 2019. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that future 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 profits of the PRC subsidiaries amounting to RMB10,477,857,000 as at 31 December 2019 (2018: RMB8,038,709,000) 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 be reversed in the foreseeable future.

43. DEFERRED INCOME

	2019 RMB'000	2018 RMB'000
Assets-related government grants	**148,963**	157,548

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 RMB8,585,000 was released to "other income" during the year ended 31 December 2019 (2018: RMB8,584,000).

44. PROVISION FOR ENVIRONMENTAL RESTORATION

	RMB'000
At 1 January 2018	18,993
Provision for the year	2,550
Utilisation of provision	(231)
At 31 December 2018	**21,312**
Provision for the year	**6,767**
Utilisation of provision	**(4,400)**
At 31 December 2019	**23,679**

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 Group's limestone mines. During the year, additional provision of RMB6,767,000 (2018: RMB2,550,000) is recognised.

45. SHARE CAPITAL

The Company

	Number of shares	Share capital	
		HK$'000	RMB'000
Authorised shares			
Ordinary share of HK$0.01 each:			
As at 1 January 2018,			
31 December 2018 and 2019	10,000,000,000	100,000	81,070
Issued shares			
As at 1 January 2018,			
31 December 2018 and 2019	2,938,281,647	29,383	24,183

46. 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:

	2019 **RMB'000**	2018 RMB'000
Property, plant and equipment	**3,092,397**	2,736,126
Right-of-use assets	**494,804**	—
Prepaid lease payments	—	504,988
Mining rights	**189,435**	58,772
Pledged bank balances	**302,700**	579,886
	4,079,336	3,879,772

In addition, as at 31 December 2019, pledged bank balances amounting to RMB3,502,269,000 (2018: RMB2,721,588,000) were pledged to banks for issuing trade facilities such as bills payables and bankers' guarantee, and deposits amounting to RMB103,779,000 (2018: RMB87,147,000) were pledged to bank for restoration of limestone mines.

46. PLEDGE OF ASSETS (Cont'd)

Apart from the assets pledged set out above, Tianrui Cement has pledged all of its equity interests in Dalian Tianrui Group Cement Company Limited (大連天瑞水泥有限公司), Tianrui Group Zhoukou Cement Company Limited (天瑞集團周口水泥有限公司), Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司), Weihui Tianrui Group Cement Company Limited (衛輝市天瑞水泥有限公司), Shangqiu Tianrui Cement Company Limited (商丘天瑞水泥有限公司), Tianrui Group Xuchcang Cement Company Limited (天瑞集團許昌水泥有限公司), Zhengzhou Tianrui Cement Company Limited (鄭州天瑞水泥有限公司) and Tianrui Group Yuzhou Cement Company Limited (天瑞集團禹州水泥有限公司) to secure the short-term variable-rate loans amounting to RMB406,000,000 (2018: RMB340,000,000), and pledged all of its equity interests in Yingkou Tianrui Group Cement Company Limited (營口天瑞水泥有限公司) and Xinyang Tianrui Cement Company Limited (信陽天瑞水泥有限公司) to secure the long-term fixed-rate loans amounting to RMB379,686,400 as at 31 December 2019 (31 December 2018: RMB195,436,000).

In addition, bills receivables (including those issued among subsidiaries of the Group for intra-group transactions) amounting to RMB1,372,056,000 as at 31 December 2019 (31 December 2018: RMB788,312,000) were discounted to banks to obtain borrowings.

47. CAPITAL COMMITMENTS

	2019 **RMB'000**	2018 RMB'000
Capital expenditure of the Group in respect of acquisition of property, plant and equipment — contracted for but not provided for in the consolidated financial statements	**346,025**	399,278

48. OPERATING LEASES

The Group as lessee

The rental payment for the year ended 31 December 2018 amounted to approximately RMB20,403,000. As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December 2018 RMB'000
Within one year	15,650
In the second to fifth year inclusive	39,049
After fifth year	229
	54,928

Leases are negotiated for terms of between 1 to 27 years and rental are fixed throughout the lease terms.

The Group as lessor

Future minimum lease payments receivable on leases of plant and machinery are as follows:

	At 31 December 2019 RMB'000
Within one year	**2,055**
In the second year	**2,008**
In the third year	**2,000**
In the fourth year	**833**
	6,896

All of the plant and machinery held for rental purposes have committed lessees for next 4 years respectively.

48. OPERATING LEASES (Cont'd)

The Group as lessor (Cont'd)

As at 31 December 2018, the Group had contracted with lessees for the following future minimum lease receivables:

	At 31 December 2018 RMB'000
Within one year	2,225
In the second to fifth year inclusive	6,158
After the fifth year	833
	9,216

49. 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 costs charged to profit or loss for the year ended 31 December 2019 amounting to RMB40,484,000 (2018: RMB41,288,000).

50. RELATED PARTY DISCLOSURES

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

	2019 RMB'000	2018 RMB'000
Purchase of goods from an associate	**610,358**	298,003
Purchase of goods from a subsidiary of Tianrui Group	**9,129**	5,463
Office rental expenses to Tianrui Group	**1,800**	1,800
Loss from disposal of property, plant and equipment to subsidiaries of Tianrui Group	**—**	(3,587)

The above sale and purchase transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

In addition, the Group provided financial guarantee to banks in respect of bank facilities of Tianrui Foundry, Tianrui Coking, Tianrui Travel and Tianrui Group, and the immediate holding company, Yu Kuo Company Limited. Details of the above guarantees are disclosed in Note 38.

Remuneration to key management personnel

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

	2019 RMB'000	2018 RMB'000
Salaries and other allowances	**5,444**	4,132
Retirement benefit schemes contributions	**33**	40
	5,477	4,172

50. RELATED PARTY DISCLOSURES (Cont'd)

Guarantees provided by related parties

As at 31 December 2019, bank borrowings amounting to RMB1,614,000,000 (2018: RMB220,000,000) and other borrowings RMB570,000,000 (2018: RMB83,239,000) were guaranteed by Tianrui Group, Mr. Li Liufa and his spouse.

As at 31 December 2019, bank borrowings amounting to RMB250,000,000 (2018: Nil) and other borrowings amounting to RMB1,495,000,000 (2018: RMB1,000,000,000) were guaranteed by Mr. Li Liufa and his spouse. In addition, other borrowings amounting to RMB300,250,000 (2018: RMB100,000,000) were guaranteed by Tianrui Group, Tianrui Travel, Mr. Li Liufa and his spouse.

As at 31 December 2018, bank borrowings amounting to RMB30,000,000 were guaranteed by Tianrui Group and amounting to RMB235,567,000 were guaranteed by Tianrui Group, Tianrui Travel and Tianrui Foundry. These guarantees were released during the year ended 31 December 2019 upon the repayment of relevant bank borrowings.

51. 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 maximising the return to shareholders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debts, which includes borrowings, guaranteed notes, long-term corporate bonds, other financial liability, loan from an associate 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 debts.

52. FINANCIAL INSTRUMENTS

52.1 Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets:		
Financial assets at amortised cost	**14,618,147**	12,530,139
Financial assets at FVTPL	**20,321**	43,702
Derivative financial instruments	**49,427**	7,588
Financial liabilities:		
Amortised cost	**17,685,997**	15,914,435
Financial guarantee contracts	**14,609**	18,643

52.2 Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and bills receivables, long term deposits and other receivables, deposits placed with Tianrui Finance, restricted and pledged bank balances, cash and bank balances, derivative financial instruments, financial assets at FVTPL, trade and other payables, guaranteed notes, borrowings, loan from an associate, other financial liability 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, currency risk and other price 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.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings, guaranteed notes and long-term corporate bonds. Besides, the Group is also exposed to cash flow interest rate risk in relation to deposits placed with Tianrui Finance, restricted and pledged bank balances, bank balances and variable-rate borrowings.

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 HIBOR.

52. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risk (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 of the Company 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 (2018: 25 basis points) increase or decrease in HIBOR and the 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 (2018: 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 RMB1,036,000 (2018: RMB1,846,000) and the amount of borrowing costs capitalised in respect of the Group's qualifying assets would be increased/decreased by approximately RMB106,000 for the year ended 31 December 2019 (2018: RMB154,000).

Currency risk

The Group has certain pledged bank balances and other receivables and borrowings denominated in HK$ or US$, hence exposures to exchange rate fluctuation arises. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, management monitors the HK$, which is pegged with US$ and US$ exposure closely and will consider hedging significant currency exposure should the need arise.

52. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risk (Cont'd)

Currency risk (Cont'd)

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

	2019 RMB'000	2018 RMB'000
Assets:		
HK$ denominated bank balances and other receivables	**3,552**	3,040
US$ denominated bank balances	**9**	—
	3,561	3,040
Liabilities:		
HK$ denominated borrowings, debentures and corporate bonds	**865,771**	1,086,971
US$ denominated borrowings	**1,185,954**	263,725
	2,051,725	1,350,696

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB against HK$ and US$. The following table details the Group's sensitivity to a 5% (2018: 5%) increase or decrease in RMB against HK$ and US$. The percentage represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjust their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rate. A positive number below indicates an increase in post-tax profit where RMB strengthens 5% (2018: 5%) against HK$ and US$. For a 5% (2018: 5%) weakening of RMB against HK$ and US$, there would be an equal and opposite impact on the profit and the balances below would be negative.

	2019 RMB'000	2018 RMB'000
Post-tax profit for the year	**97,420**	67,383

52. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risk (Cont'd)

Other price risk

The Group is exposed to price risk through its derivative financial instruments and financial assets at FVTPL. The Group monitors the price risk and will consider hedging the risk exposure should the need arise.

No sensitivity analysis has been presented as the directors of the Company consider that the impact on profit or loss for the current year is not significant.

Credit risk and impairment assessment

As at 31 December 2019, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantees provided by the Group as disclosed in Note 55.

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. For trade receivables, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. For other receivables, the Group reviews the recoverable amount of each individual balance at the end of the reporting period to ensure that adequate impairment losses are made. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For the amounts due from associates, the Group has significant influence over its associates and their financial positions are regularly monitored in order to minimise the credit risk associated with receivables due from associates. The credit risk in relation to the deposits placed with Tianrui Finance, an associate, is also limited because Tianrui Finance is a non-bank financial institution subject to the regulation and supervision of China Banking Regulatory Commission, and with good credit-rating assigned by the monetary authority in China.

In order to minimise 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.

52. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk and impairment assessment (Cont'd)

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

Apart from the deposits placed with an associate, the Group does not have any significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

52. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk and impairment assessment (Cont'd)

The tables below detail the credit risk exposures of the Group's financial assets and financial guarantee contracts, which are subject to ECL assessment:

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount as at 31 December	
			2019 RMB'000	2018 RMB'000
Financial assets at amortised cost				
Trade receivables (Note 27) (Note (a))	Low	Lifetime ECL — Not credit-impaired	**135,257**	262,493
	Doubtful	Lifetime ECL — Not credit-impaired	**14,806**	14,508
	Loss	Lifetime ECL — Credit-impaired	**40,897**	29,717
			190,960	306,718
Long-term deposits (Note 18)	Low	12-month ECL	**2,182,351**	2,010,000
Other advances (Note 27)	Low	12-month ECL	**560,000**	—
Pledged bank balances (Note 31)	Low	12-month ECL	**3,908,748**	3,338,621
Cash and bank balances (Note 32)	Low	12-month ECL	**887,037**	711,797
Deposits placed with an associate (Notes 29 and 32)	Low	12-month ECL	**941,796**	644,911
Other receivables (Note 27)	Low	12-month ECL	**332,175**	381,689
	Doubtful	Lifetime ECL — Not credit-impaired	**6,738**	11,167
	Loss	Lifetime ECL — Credit-impaired	**32,713**	32,713
			371,626	425,569
Bills receivables (Note 27)	Low	12-month ECL	**3,775,206**	890,674
Bills endorsed to suppliers (Note 27)	Low	12-month ECL	**1,895,577**	2,239,954
Other items				
Financial guarantee contracts (Note 55) (Note (b))	Low	12-month ECL	**1,581,578**	1,275,770

52. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk and impairment assessment (Cont'd)

Notes:

(a) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL.

(b) For financial guarantee contracts, the gross carrying amount represents the maximum amount that Group has guaranteed under the relevant contract.

The Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customer' abilities to pay all amounts due in accordance with the contractual terms. The estimated loss rates estimated are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The Group writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired)	**Lifetime ECL (credit-impaired)**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 January 2018	12,133	30,480	42,613
Impairment losses recognised	2,375	—	2,375
Impairment losses reversed	—	(763)	(763)
As at 31 December 2018	**14,508**	**29,717**	**44,225**
Impairment losses recognised	**9,379**	**11,180**	**20,559**
Impairment losses reversed	**(9,081)**	**—**	**(9,081)**
As at 31 December 2019	**14,806**	**40,897**	**55,703**

At 31 December 2019, the Group provided RMB55,703,000 impairment allowance, net, for trade receivables, of which RMB41,196,000 was made based on the provision matrix.

52. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk and impairment assessment (Cont'd)

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	12-month ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2018	—	—	39,466	39,466
Impairment losses recognised	11,167	—	—	11,167
Impairment losses reversed	—	—	(6,753)	(6,753)
Transfer to lifetime ECL (not credit-impaired)	(11,167)	11,167	—	—
As at 31 December 2018	**—**	**11,167**	**32,713**	**43,880**
Impairment losses recognised	**—**	**10,341**	**—**	**10,341**
Impairment losses reversed	**—**	**(14,770)**	**—**	**(14,770)**
As at 31 December 2019	**—**	**6,738**	**32,713**	**39,451**

At 31 December 2019, the Group provided RMB39,451,000 impairment allowance (net of reversal) for other receivables which was made on debtors based on the individual assessment.

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the relevant contract was RMB1,581,578,000 (2018: RMB1,275,770,000). At the end of the reporting period, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Details of the financial guarantee contracts are set out in Note 38.

52. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances 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 will be taken promptly as appropriate to ensure sufficient liquidity is available if the lenders demand immediate repayment.

The following table details the Group's remaining contractual maturity for its financial liabilities, derivative instruments and lease liabilities. The table has been drawn up based on the undiscounted cash flows for financial liabilities based on the earliest date on which the Group can be required to pay.

The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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 RMB'000	31 to 180 days RMB'000	181 to 365 days RMB'000	1–2 years RMB'000	2–3 years RMB'000	Over 3 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
As at 31 December 2019									
Trade and other payables	—	621,912	1,917,424	1,827,104	—	—	—	4,366,440	4,366,440
Other financial liability	10.60	—	—	—	—	—	1,004,445	1,004,445	1,004,445
Loan from an associate	3.62	202,264	557,996	54,074	152,716	—	—	967,050	950,000
Borrowings	7.84	1,537,872	1,366,259	3,407,721	1,005,134	1,760,451	—	9,077,437	8,285,182
Guaranteed notes	12.00	—	58,600	58,600	103,136	1,022,048	—	1,242,384	934,566
Long-term corporate bonds	7.76	—	86,846	195,043	2,016,568	45,032	30,259	2,373,748	2,145,364
		2,362,048	3,987,125	5,542,542	3,277,554	2,827,531	1,034,704	19,031,504	17,685,997
Financial guarantee liabilities		1,581,578	—	—	—	—	—	1,581,578	14,906
Lease liabilities		—	—	15,036	25,554	—	—	40,590	40,590

52. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk (Cont'd)

	Weighted average interest rate %	On demand or 0–30 days RMB'000	31 to 180 days RMB'000	181 to 365 days RMB'000	1–2 years RMB'000	2–3 years RMB'000	Over 3 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
As at 31 December 2018									
Trade and other payables	—	450,907	2,051,327	1,017,730	—	—	—	3,519,964	3,519,964
Other financial liability	—	2,000,000	—	—	—	—	—	2,000,000	2,000,000
Loan from an associate	4.19	3,490	265,702	672,506	102,094	—	—	1,043,792	1,000,000
Borrowings	6.97	1,162,392	2,174,717	1,784,981	1,811,654	248,243	554,846	7,736,833	7,166,472
Long-term corporate bonds	7.67	—	82,447	192,839	281,335	2,015,133	73,357	2,645,111	2,227,999
		3,616,789	4,574,193	3,668,056	2,195,083	2,263,376	628,203	16,945,700	15,914,435
Financial guarantee liabilities		1,275,770	—	—	—	—	—	1,275,770	18,643

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.

52. FINANCIAL INSTRUMENTS (Cont'd)

52.3 Fair value measurements

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

Certain of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how their fair values 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 categorised (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 31 December (RMB'000)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2019	2018				
Option granted by Tianrui Group (see Note 26)	**Assets 49,427**	Assets 7,588	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)
PRC investment funds (see Note 30)	**Assets 20,321**	Assets 43,702	Level 2	Market price or fair value of underlying investments held by funds.	N/A	N/A

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 RMB33,487,000 for the year ended 31 December 2019. A 5% decrease in the stock price volatility rate, holding all other variables constant, would decrease the carrying amount of the option by RMB16,746,000 for the year ended 31 December 2019.

52. FINANCIAL INSTRUMENTS (Cont'd)

52.3 Fair value measurements (Cont'd)

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

There is no transfer between level 1 and level 2 during the current and prior years.

Reconciliation of Level 3 fair value measurements

As detailed in Note 26, the options granted by Tianrui Group are classified as derivative financial assets. The options were measured at fair value on Level 3 fair value measurement.

The following are reconciliation of the options:

	RMB'000
FAIR VALUE:	
At 1 January 2018	2,726
Changes in fair value recognised in profit or loss	4,862
At 31 December 2018	**7,588**
Changes in fair value recognised in profit or loss	**41,839**
At 31 December 2019	**49,427**

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.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

53. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details major changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Mid-term debentures	Long-term corporate bonds	Guaranteed notes	Lease liabilities	Loan from an associate	Other financial liability	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	6,692,923	2,369,828	3,070,820	—	—	—	—	12,133,571
Financing cash flows	(548,727)	(2,477,957)	(1,141,384)	—	—	974,578	2,000,000	(1,193,490)
Interest expenses	693,378	108,129	295,077	—	—	25,422	—	1,122,006
Increase in discounted bills with recourse presented under operating cash flows	258,666	—	—	—	—	—	—	258,666
Others	70,232	—	3,486	—	—	—	—	73,718
At 31 December 2018	7,166,472	—	2,227,999	—	—	1,000,000	2,000,000	12,394,471
Adjustment upon application of IFRS 16	—	—	—	—	49,442	—	—	49,442
At 1 January 2019	**7,166,472**	**—**	**2,227,999**	**—**	**49,442**	**1,000,000**	**2,000,000**	**12,443,913**
Financing cash flows	**(538,213)**	**—**	**(366,643)**	**879,016**	**(18,501)**	**(81,128)**	**(1,133,717)**	**(1,259,186)**
Interest expenses	**647,497**	**—**	**282,314**	**55,550**	**3,393**	**31,128**	**138,162**	**1,158,044**
New leases entered	**—**	**—**	**—**	**—**	**6,256**	**—**	**—**	**6,256**
Increase in discounted bills with recourse presented under operating cash flows	**746,545**	**—**	**—**	**—**	**—**	**—**	**—**	**746,545**
Others	**262,881**	**—**	**1,694**	**—**	**—**	**—**	**—**	**264,575**
At 31 December 2019	**8,285,182**	**—**	**2,145,364**	**934,566**	**40,590**	**950,000**	**1,004,445**	**13,360,147**

54. MAJOR NON-CASH TRANSACTIONS

During the year, short term borrowings drawn on discounted bills with recourse of RMB1,325,675,000 (2018: RMB758,941,000) have been settled through bills receivables discounted to the relevant financial institutions.

During the year, trade payables with carrying amount of RMB2,356,764,000 (2018: RMB2,122,196,000) have been settled by bills receivables endorsed to suppliers on a full recourse basis.

During the year, deposits paid for proposed acquisition of the remaining equity interests in an associate of RMB413,520,000 were reclassified to interests in associates under a capitalisation of shareholder's loans arrangement with the remaining shareholder of that associate. Refer to Note 24 for details.

55. CONTINGENT LIABILITIES

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Guarantees given to banks in respect of banking facilities granted to related parties (Note 38)	**1,581,578**	1,275,770

The management considers the risk of the contingent liabilities and recognised financial guarantee liabilities of RMB14,906,000 (2018: RMB18,643,000) in the consolidated financial statements.

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the principal subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of company	Place of incorporation/ establishment and operations	Issued and fully paid share capital/registered capital	Proportion of ownership interest and voting power		Principal activities
			2019 %	2018 %	
Subsidiaries					
China Tianrui (Hong Kong) Company Limited 中國天瑞(香港)有限公司	Hong Kong	US$1	**100**	100	Investment holding
Tianrui Cement Group Company Limited 天瑞水泥集團有限公司	The PRC	US$594,052,471	**100**	100	Manufacture and sale of cement and clinker
Tianrui Group Ruzhou Cement Company Limited 天瑞集團汝州水泥有限公司*	The PRC	RMB252,136,200	**71.39**	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	RMB334,868,200	**71.67**	100	Manufacture and sale of cement, clinker and limestone aggregate
Tianrui Group Zhoukou Cement Company Limited 天瑞集團周口水泥有限公司*	The PRC	RMB81,000,000	**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	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	RMB479,714,900	**100**	100	Manufacture and sale of cement and clinker

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

General information of subsidiaries (Cont'd)

Name of company	Place of incorporation/ establishment and operations	Issued and fully paid share capital/registered capital	Proportion of ownership interest and voting power		Principal activities
			2019 %	2018 %	
Yingkou Tianrui Cement Company Limited 營口天瑞水泥有限公司*	The PRC	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	RMB200,000,000	**100**	100	Manufacture and sale of cement and clinker
Liaoyang Tianrui Cement Company Limited 遼陽天瑞水泥有限公司*	The PRC	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	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	RMB468,305,700	**59.79**	100	Manufacture and sale of cement, clinker and limestone aggregate
Tianrui Group Zhengzhou Cement Company Limited 天瑞集團鄭州水泥有限公司*	The PRC	RMB756,381,300	**100**	100	Manufacture and sale of cement, clinker and limestone aggregate
Tianrui Group Xiaoxian Cement Company Limited 天瑞集團蕭縣水泥有限公司*	The PRC	RMB241,958,000	**100**	100	Manufacture and sale of cement and clinker
Tianjin Tianrui Cement Company Limited ("Tianjin Tianrui Cement") 天津天瑞水泥有限公司*	The PRC	RMB100,000,000	**60**	60	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	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	RMB20,000,000	**70**	70	Manufacture and sale of cement
Liaoyang Tianrui Liaota Cement Company Limited 遼陽天瑞遼塔水泥有限公司*	The PRC	RMB205,000,000	**100**	100	Manufacture and sale of cement and clinker
Dalian Tianrui Jinhaian Cement Company Limited 大連天瑞金海岸水泥有限公司*	The PRC	RMB45,000,000	**100**	100	Manufacture and sale of cement
Haicheng The First Cement Company Limited 海城市第一水泥有限公司*	The PRC	RMB100,000,000	**100**	100	Manufacture and sale of cement and clinker
Yongan Cement 河南永安水泥有限公司*	The PRC	RMB572,600,000	**100**	100	Manufacture and sale of cement
Xindeng Cement 天瑞新登鄭州水泥有限公司*	The PRC	RMB294,667,600	**55**	55	Manufacture and sale of cement and limestone aggregate

* The entities are subsidiaries of Tianrui Cement and indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

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

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 establishment and operations	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests at 31 December	
		31/12/2019	31/12/2018	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Tianjin Tianrui Cement	The PRC	**40%**	40%	**2,332**	(1,889)	**(174,399)**	(176,731)
Xindeng Cement	The PRC	**45%**	45%	**79,746**	59,329	**311,776**	232,030
Individually immaterial subsidiaries with non-controlling interests						**(1,349)**	6,147
						136,028	61,446

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

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

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

Tianjin Tianrui Cement

	2019 RMB'000	2018 RMB'000
Current assets	**67,786**	43,022
Non-current assets	**282,777**	296,961
Current liabilities	**(783,840)**	(778,710)
Non-current liabilities	**(2,722)**	(3,102)
Net liabilities	**(435,999)**	(441,829)
Equity attributable to owners of the Company	**(261,600)**	(265,098)
Non-controlling interests of Tianjin Tianrui Cement	**(174,399)**	(176,731)
	(435,999)	(441,829)

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Revenue	**265,394**	155,626
Expenses	**(259,564)**	(160,350)
Profit/(loss) and total comprehensive income/(expense) for the year	**5,830**	(4,724)
Profit/(loss) and total comprehensive income/(expense) attributable to:		
Owners of the Company	**3,498**	(2,835)
Non-controlling interests of Tianjin Tianrui Cement	**2,332**	(1,889)
	5,830	(4,724)
Net cash from operating activities	**16,507**	448
Net cash used in investing activities	**(16,038)**	(2,427)
Net cash from financing activities	**—**	—
Net cash inflow/(outflow)	**469**	(1,979)

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

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

Xindeng Cement

	2019 RMB'000	2018 RMB'000
Current assets	**418,781**	244,144
Non-current assets	**428,499**	426,136
Current liabilities	**(144,260)**	(146,601)
Non-current liabilities	**(7,717)**	(8,057)
Net assets	**695,303**	515,622
Equity attributable to owners of the Company	**383,527**	283,592
Non-controlling interests of Xindeng Cement	**311,776**	232,030
	695,303	515,622

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Revenue	**708,955**	496,728
Expenses	**(441,741)**	(364,886)
Profit and total comprehensive income for the year	**267,214**	131,842
Profit and total comprehensive income attributable to:		
Owners of the Company	**146,968**	72,513
Non-controlling interests of Xindeng Cement	**120,246**	59,329
	267,214	131,842
Dividend declared attributable to non-controlling interests	**40,500**	92,138
Net cash from operating activities	**127,413**	269,871
Net cash used in investing activities	**(51,640)**	(42,440)
Net cash used in financing activities	**(90,000)**	(204,750)
Net cash (outflow)/inflow	**(14,227)**	22,681

57. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	**1,925,778**	1,925,778
Amounts due from subsidiaries	**2,281,677**	833,666
Equipment	**21**	28
Derivative financial instruments	**49,427**	7,588
	4,256,903	2,767,060
CURRENT ASSETS		
Other receivables	**258,888**	213,134
Amounts due from subsidiaries	**—**	1,211,921
Cash and bank balances	**3,057**	1,994
	261,945	1,427,049
CURRENT LIABILITIES		
Borrowings due within one year	**208,717**	365,376
Other payables	**10,329**	11,646
	219,046	377,022
NET CURRENT ASSETS	**42,899**	1,050,027
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,299,802**	3,817,087
CAPITAL AND RESERVES		
Share capital	**24,183**	24,183
Reserves	**2,352,909**	2,685,780
TOTAL EQUITY	**2,377,092**	2,709,963
NON-CURRENT LIABILITIES		
Borrowings due after one year	**788,855**	909,529
Guaranteed notes	**934,566**	—
Long-term corporate bonds	**77,485**	75,791
Deferred tax liabilities	**121,044**	121,044
Financial guarantee liability	**760**	760
	1,922,710	1,107,124
	4,299,802	3,817,087

57. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Cont'd)

Movements in reserves of the Company

	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2018	1,066,648	229,240	1,553,272	2,849,160
Loss and total comprehensive expense for the year	—	—	(162,620)	(162,620)
Financial guarantee provided by the Company to related parties	—	(760)	—	(760)
At 31 December 2018 and at 1 January 2019	**1,066,648**	**228,480**	**1,390,652**	**2,685,780**
Loss and total comprehensive expense for the year	**—**	**—**	**(332,871)**	**(332,871)**
At 31 December 2019	**1,066,648**	**228,480**	**1,057,781**	**2,352,909**

58. EVENT AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date of approval of the consolidated financial statements, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

Financial Summary

Financial summary — in accordance with International Financial Reporting Standards.

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	**12,087,532**	10,060,647	8,420,551	6,008,605	6,195,093
Profit before tax	**2,667,671**	1,742,572	1,354,025	351,635	312,526
Income tax expense	**(733,166)**	(490,762)	(361,255)	(102,065)	(29,021)
Profit for the year	**1,934,505**	1,251,810	992,770	249,570	283,505
Attributable to:					
Owners of the Company	**1,819,423**	1,212,547	1,001,764	295,812	313,079
Non-controlling interests	**115,082**	39,263	(8,994)	(46,242)	(29,574)
	1,934,505	1,251,810	992,770	249,570	283,505

CONSOLIDATED FINANCIAL POSITION

	As at 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Total assets	**32,324,304**	28,553,706	25,904,081	24,116,401	27,090,642
Total liabilities	**(19,348,713)**	(17,474,586)	(15,968,310)	(16,476,711)	(19,672,581)
Total equity	**12,975,591**	11,079,120	9,935,771	7,639,690	7,418,061
Attributable to:					
Owners of the Company	**12,839,563**	11,017,674	9,820,855	7,758,372	7,470,283
Non-controlling interests	**136,028**	61,446	114,916	(118,682)	(52,222)
	12,975,591	11,079,120	9,935,771	7,639,690	7,418,061